

SECURITIES AND EXCHANGE COMMISSION

FORM 10KSB

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]

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FILER

LANXIDE CORP

CIK: **822972** | IRS No.: **510270253** | State of Incorporation: **DE** | Fiscal Year End: **0930**
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SIC: **3250** Structural clay products

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended September 30, 1996

OR

TRANSITION REPORT UNDER SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From _____ to _____

Commission File No. 0-16293

LANXIDE CORPORATION

(Exact name of Small Business Issuer in its charter)

Delaware 51-0270253
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

1300 Marrows Road, Newark, DE 19714
(Address of principal executive offices) (Zip Code)

(302) 456-6200
Issuer's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class
Common Stock, par value \$.01 per share
Series A Preferred Stock, par value \$.01 per share
Unit Warrants
Units

Securities registered pursuant to Section 12(g) of the Act:

NONE

Check whether the Issuer: (1) filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for
such shorter period that the registrant was required to file such reports),
and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Check if there is no disclosure of delinquent filers pursuant to Item 405 of
Regulation S-B contained in this form, and no disclosure will be contained,
to the best of registrant's knowledge, in definitive proxy or information
statements incorporated by reference in Part III of this Form 10-KSB or any
amendment to this Form 10-KSB.

Issuer's revenues for its most recent fiscal year were \$18,609,000.

The aggregate market value of the voting stock held by non-affiliates at
December 13, 1995, valued by reference to the bid price of such stock, was
\$8,952,435.

Number of shares of Common Stock outstanding as of December 13, 1996:
1,325,595

Transitional Small Business Disclosure Format (check one):

Yes No

THIS FORM 10-KSB CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS WITHIN THE
MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 WITH RESPECT
TO THE FINANCIAL CONDITION, RESULTS OF OPERATIONS AND BUSINESS OF LANXIDE,
INCLUDING STATEMENTS UNDER ITEM 1. BUSINESS, ITEM 6. MANAGEMENT'S
DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION AND
ITEM 7. FINANCIAL STATEMENT AND SUPPLEMENTARY DATA. THESE FORWARD-LOOKING
STATEMENTS INVOLVE CERTAIN RISKS AND UNCERTAINTIES. NO ASSURANCE CAN BE

GIVEN THAT ANY SUCH MATTERS WILL BE REALIZED. FACTORS THAT MAY CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTEMPLATED BY SUCH FORWARD-LOOKING STATEMENTS INCLUDE, AMONG OTHERS, THE FOLLOWING POSSIBILITIES: (I) COMPETITIVE CONDITIONS IN THE INDUSTRIES IN WHICH LANXIDE OPERATES; (II) FAILURE TO COMMERCIALIZE ONE OR MORE OF THE TECHNOLOGIES OF LANXIDE; AND (III) GENERAL ECONOMIC CONDITIONS THAT ARE LESS FAVORABLE THAN EXPECTED.

ITEM 1. BUSINESS

Introduction

The Company is engaged in the development and commercialization of products based upon a variety of material process technologies which represent a novel approach to the fabrication of ceramic-reinforced composite products. The Company's patented technology has enabled it to engineer a new class of high-performance materials, LANXIDE(TM) composites, which offer superior combinations of properties tailored to meet specific customer needs. LANXIDE(TM) composites combine many of the features of ceramics and metals, and polymers. Its technologies include a ceramic composite material process known as DIMOX(TM) directed metal oxidation, a metallic composite material process known as PRIMEX(TM) pressureless metal infiltration, and a ceramic polymer material process and a ceramic coated graphite process known as CERASET(TM). LANXIDE(TM) composites provide a new class of structural materials which exhibit combinations of strength, damage tolerance, shape versatility, hardness, lighter weight, stiffness, chemical stability and temperature tolerance previously unavailable in a single class of materials. The Company has developed proprietary processes enabling the creation of LANXIDE(TM) composites in a wide range of sizes and complex shapes and possessing a broad spectrum of performance characteristics and believes that products made from LANXIDE(TM) composites provide substantial cost/performance improvements over materials traditionally used in numerous industrial and commercial applications. The Company has developed products for electronic components, optical components, automotive engine and brake components, heat exchangers, refractory components, armor, industrial pump and cyclone components, components for gas turbine engines, rocket engine components and certain other aerospace and military applications, and sporting goods, some of which are currently being produced by the Company or by its affiliates and licensees in limited quantities.

Based on a series of discoveries relating to metals oxidation, the Company has developed a unique process technology for engineering a broad spectrum of ceramic/metal composites. The LANXIDE(TM) process technology relies on relatively low cost processing equipment, metals of commodity purity and relatively low temperature requirements. Advantages of the LANXIDE(TM) process technology include ease of component fabrication, the ability to combine a wide range of materials to tailor properties for specific applications, the ability to make complex shaped parts that require little machining, and the ability to make large parts. The Company believes that the simplicity and manageability of this process technology provides the basis for commercial scale production of components made of LANXIDE(TM) composites.

In 1993, to complement the extensive materials base generated internally, the Company acquired substantially all of the assets and patents associated with CERASET(TM) ceramer (ceramic-backboned polymer), ceramic paper and GEMINI(TM) microcomposite technologies from Hercules Incorporated. These chemically derived materials and processes provide additional performance advantages for the Company's reinforced metals and reinforced ceramics, and extend the Company's advanced materials portfolio into the rapidly expanding area of high-performance polymer composites, adhesives, sealants and coatings.

The Company believes that the market opportunities for the Company's products extend broadly across the basic processing, automotive, aerospace and defense, electronics, machine tool, mining, chemical, glass, paper, textile, cement, rail transport and sporting equipment industries. Since 1983, in excess of \$275,000,000 has been expended for the research, development and commercialization of the Company's technology. Such amounts have been funded through equity issuances, borrowings, joint venture partners, including E. I. Du Pont de Nemours & Company (DuPont) and Kanematsu Corporation (Kanematsu), and the U.S. Government. Prior to 1995, the Company's business strategy was to develop and commercialize its technology and products exclusively through individual subsidiary businesses and selective market-focused joint ventures and partnerships utilizing its own resources, those of world-class industrial partners, and contract funding from the U.S. Government. In furtherance of such strategy, from 1983 through 1995, the Company structured 11 affiliated businesses in a series of commercialization ventures. The Company's affiliated partners include DuPont, Kanematsu and Nihon Cement Co., Ltd (Nihon).

Primarily as a result of continuing losses and increasing capital requirements from its business ventures, the Company took steps in March 1995 to reduce demands for capital and to shore up its cash reserves, including (i) sale of its entire interest in Lanxide Precision, Inc., a subsidiary

engaged in the manufacture of precision components for the optics, robotics, machine tool and other precision equipment industries, (ii) sale of substantially all of the assets of its subsidiary Alanx Products, Inc., the venture in the industrial wear parts industry, (iii) sale of a 30% interest in Lanxide Armor Company, L.P. and purchase of an additional 30% interest in Lanxide Electronic Components, L.P., (iv) discontinuance of two of its businesses engaged in the production of sporting equipment and surgical devices, (v) sale of certain securities to Bentley J. Blum, a director and principal stockholder of the Company, and (vi) consummation of a financial recapitalization plan. In addition, the Company embarked on a program to license its technology in certain specific market sectors by product and geography, in exchange for license fees and continuing royalties. Since implementing such licensing strategy, the Company consummated license agreements with A.P. Green Industries, Inc. (A.P. Green), Waupaca Foundry, Inc. (Waupaca), Sturm Ruger & Company (Sturm Ruger), Brembo S.p.A. (Brembo) and AKN Corporation (AKN), and converted a former joint venture with Nihon into a license and royalty agreement.

Consummation of Recapitalization Plan

In November 1995, the Company consummated a Recapitalization Plan (the Recapitalization Plan), pursuant to which, among other things, (a) each share of the Company's old common stock (the Old Common Stock) and series A convertible preferred stock (the Old Series A Preferred Stock) were converted into one-twentieth of a Unit, (b) each share of the Company's series B convertible exchangeable preferred stock (the Old Series B Preferred Stock), was converted into one-tenth of a Unit, (c) the outstanding shares of the Company's 7% redeemable series D preferred stock were converted into an aggregate of \$70,577 and (d) each share of the Company's 7% redeemable series E preferred stock remained outstanding and continues to represent one share of the Company's Series E Preferred Stock.

Each Unit consisted of one share of the Company's Series A Preferred Stock and one warrant (the Unit Warrant) to purchase one-twentieth of a share of the Company's Common Stock. The Unit Warrants expired on November 14, 1996.

Pursuant to its terms, the outstanding shares of the Company's 8% convertible redeemable series C preferred stock (the Old Series C Preferred Stock) were converted into an aggregate of 331,679 shares of the Company's Common Stock, all of which are owned by Bentley J. Blum, the Company's principal stockholder and director.

In connection with the Recapitalization Plan, the Company distributed pro rata to stockholders of Old Common Stock, Old Series A Preferred Stock and Old Series B Preferred Stock a special dividend of non-transferable rights to purchase shares of the Company's Common Stock at the rate of one share of the Company's Common Stock for each right, subject to the right to purchase additional shares of the Company's Common Stock pursuant to oversubscription privileges. Pursuant to this rights offering, stockholders subscribed for 850,117 shares of the Company's Common Stock at \$4.50 per share with gross proceeds to the Company of \$3.8 million.

Recent Developments

Merger Agreement

On November 13, 1996, the Company and Commodore Environmental Services, Inc., a Delaware corporation (Commodore), entered into an Agreement and Plan of Merger (the Merger Agreement) under which the Company will become a wholly owned subsidiary of Commodore and the Company's stockholders will become Commodore stockholders (the Merger). As a result of the Merger, each share of the Company's Common Stock would be exchanged for shares of Commodore Common Stock, each share of the Company's Series A Preferred Stock would be exchanged for shares of Commodore common stock and each share of the Company's 7% Series E Redeemable Preferred Stock will be exchanged for shares of a newly created issue of Commodore Series D Preferred Stock.

The consummation of the Merger is conditioned upon the happening of certain stated events including: (1) the approval of a majority of the holders of the outstanding shares of the Company's common stock and of Commodore's common stock; (2) the holders of more than five percent of the outstanding shares of the Company's common stock or Series A Preferred Stock shall not exercise their appraisal rights under Section 262 of the Delaware General Corporation Law; (3) the registration statement filed in connection with the issuance of Commodore securities as consideration for the merger shall have become effective; and (4) the public offering of Commodore common stock initiated in conjunction with the merger shall produce gross proceeds of at least \$50 million. There can be no assurance that these conditions will be satisfied or that the Merger will be consummated.

Ownership Change of Joint Ventures with E. I. du Pont de Nemours and Company (DuPont)

On June 28, 1996, the Company purchased DuPont's remaining ownership interests in Lanxide Armor Company, L.P. (LAC) and Lanxide Electronic Components, Inc. (LEC), both of which were commercial ventures with DuPont. DuPont acquired from the Company an additional 20% interest in another commercial venture, DuPont Lanxide Composites (DLC). The transaction increased the Company's common stock ownership percentage in LAC and LEC from 27% and 80%, respectively, to 100% of both. DuPont will continue to own 100% of the preferred stock of LEC. Concomitant with the purchase of DuPont's interest in LAC, LAC was merged into the Company's wholly-owned subsidiary, Lanxide Armor Products, Inc. (LAP). As a result of this transaction, LAC (now LAP) has been included in the Company's June 1996 consolidated financial statements. The sale of interest in DLC decreases the Company's ownership percentage in that venture from 30% to 10%.

Sale and Leaseback

On March 28, 1996, the Company sold its manufacturing facility in Newark, Delaware (the Marrows Road Facility) for \$8,600,000 to QRS 12-16, Inc., an entity set up by Corporate Property Associates 12 (CPA:12), a real estate investment trust sponsored by W.P. Carey & Co., Inc., a purchaser and lessor of corporate real estate. The sale of the Marrows Road Facility generated cash proceeds of \$3,300,000 after prepayment of a \$4,100,000 mortgage on the Marrows Road Facility and payment of the associated fees and closing costs. The Company entered into a lease agreement with the purchaser of the Marrows Road Facility for a twenty-year period. For a more complete description of the sale and leaseback transaction, see "Property _ Marrows Road Facility."

Ownership Change of Celanx Joint Venture

On March 28, 1996, Lanxide K.K., a subsidiary of the Company, sold its remaining 50% ownership interest in Celanx K.K. to Nihon, effectively giving Nihon sole ownership of the license to manufacture, market and sell precision instruments in Japan. As consideration for the sale of its interest in Celanx K.K., Lanxide K.K., reacquired its wear products license from Celanx K.K. and will receive ongoing royalties from precision instrument sales generated by Celanx K.K.. As a result of this transaction, Lanxide K.K. recognized the remainder of the deferred gain associated with the 1994 sale of 50% of its ownership in Celanx K.K. to Nihon.

Business Strategy

The market opportunities for the Company's products extend broadly across the basic processing, automotive, aerospace and defense, electronics, machine tool, mining, chemical, glass, paper, textile, cement, rail transport and sports equipment industries. Prior to March 1995, the Company's business strategy was to develop and commercialize its technology and products exclusively through individual subsidiary businesses and selective market-focused joint ventures and partnerships utilizing its own resources, those of world-class industrial partners, and contract funding from the U.S. Government. In furtherance thereof, the Company structured 11 affiliates in a series of commercialization ventures. The Company's affiliated partners include DuPont, Kanematsu and Nihon.

Due to, among other things, (i) the needs of the Company and its ventures for further funding and (ii) an increase in the number of products developed and demonstrated using the LANXIDE (TM) technology, the Company revised its business strategy during fiscal 1995 and embarked on a program to license its technology in certain areas by product and geographic territory and entered into a number of transactions relating to the sale of certain Company assets and equity interests in the Company.

The Company expects that this revised strategy will enable a greater number of products utilizing LANXIDE (TM) technology to be commercialized in the near-term. Although the Company will, subject to the availability of capital, continue to commercialize products using the LANXIDE (TM) technology through its wholly or partially owned ventures, the Company plans to seek advantageous licensing arrangements with third parties which have the ability to commercialize products in those areas where there are significant barriers to entry (i.e., substantial up-front costs or the need for a substantial industry presence) or where LANXIDE (TM) technology provides only a portion of the necessary solution. The Company believes that such licensing arrangements will benefit the Company through the commercialization of the LANXIDE (TM) technology in product areas into which the Company could not otherwise expand at this time. The Company believes that benefits from licensing include:

- o Accelerated adoption and recognition of its materials and technology.
- o Allocation of available capital to those products which the Company is best able to commercialize.

On March 31, 1995, Waupaca paid the Company \$2.0 million as part of a license fee for rights to manufacture licensed products in North America and sell them worldwide (excluding Japan) in the following fields: automotive brake rotors, brake drums, brake pistons, clutch plates and certain agricultural equipment components. Subject to its right to unilaterally terminate the license, Waupaca was required to make additional payments of \$13.0 million; \$2.0 million on January 1996 (payment received), \$2.5 million on March 31, 1997, \$4.0 million on March 30, 1998 and \$4.5 million on March 31, 1999, together with royalty payments on the sale of licensed products. Waupaca is entitled to terminate the license, for any reason, upon ninety days' notice or by not making any additional payments; provided, however, that upon termination, (i) Waupaca will continue to have the right to use the LANXIDE (TM) technology for a one-year period to the extent necessary to fulfill customer contracts and (ii) Waupaca will have a royalty-free, perpetual, non-exclusive license to use any LANXIDE (TM) technology which is not patented, within the field definition of the license. On December 6, 1996, Waupaca notified the Company that it will not exercise its right under the agreement to extend its license beyond March 31, 1997. Waupaca indicated that it viewed its rate of market penetration with the new technology as insufficient in light of large demands for investment in Waupaca's expanding cast iron business.

On April 6, 1995, Sturm Ruger paid the Company \$1.0 million as an initial license fee and agreed to pay royalties on the sale of licensed products. The license is exclusive for the manufacture of firearms and certain sporting goods products outside of Japan. Under the terms of the initial agreement, Sturm Ruger had a one-year option to terminate the license, forfeiting any rights to use the technology thereunder, and to be repaid the \$1.0 million by the Company in the form of either cash or Old Common Stock at the Company's option. In January 1996, the Company and Sturm Ruger signed a new license agreement which grants the licensee some additional product rights to certain sporting goods components outside of Japan. In consideration for the expanded license, Sturm Ruger waived its one-year option to terminate the license. Thus, the original deferred amount of \$1.0 million was recorded as revenue during the second quarter of fiscal year 1996.

On December 22, 1995, the Company entered into a license agreement with Brembo, which grants Brembo the right to use LANXIDE (TM) technology to make in Europe and to sell worldwide (excluding Japan) certain brake system components for motor vehicles. Brembo has made payments totaling \$800,000 as of September 30, 1996. Subject to its unilateral right to terminate the license, Brembo is required to make the following additional payments totaling \$1.2 million over the next year: \$400,000 in December 1996; \$400,000 in June 1997; and \$400,000 in December 1997. In addition, the license agreement includes royalty payments on the sale of licensed products. A minimum royalty payment of \$250,000 is applicable for years three through six of the license agreement.

On October 2, 1995, the Company entered into a license agreement with A.P. Green, under which A.P. Green is exclusively and perpetually licensed with the right to use LANXIDE (TM) technology to make, use and sell industrial refractories, other than those employed in the ferrous metals industry, worldwide except for Japan. In connection with the license, A.P. Green paid the Company \$500,000 on closing and \$250,000 in April, 1996 and will pay additional payments of \$250,000, \$300,000 and \$500,000 in January 1997, July 1997 and January 1998, respectively. A.P. Green will also pay to the Company royalties on annual sales of products manufactured and sold under the license. A.P. Green has the right at any time under the agreement to discontinue payments, in which case all rights granted to A.P. Green under the license agreement will terminate.

In June 1995, Alanx sold substantially all of its assets to Alanx Wear Solutions (Alanx Wear). Alanx received an initial 15% common stock interest in Alanx Wear and a royalty bearing license on sales.

In May 1995, the Company sold all of its stock ownership in LPI, a wholly-owned subsidiary. The sale converted the existing license agreement with LPI to a royalty bearing license on sales of composite materials and components.

On March 28, 1996, Lanxide K.K. sold its remaining 50% ownership interest in Celanx K.K. to Nihon effectively giving Nihon sole ownership of the license to manufacture, market and sell precision instruments in Japan. As consideration for its interest in Celanx K.K., Lanxide K.K. will receive ongoing royalties from precision instrument sales generated by Nihon. Concurrent with this sale, Lanxide K.K. reacquired its wear products license from Celanx K.K.

In October, 1996, the Company signed a non-exclusive license agreement with AKN for the manufacture, use and sale of brake components in Southeast Asia and Oceania. AKN is a newly created joint venture of three companies

headquartered in Japan: Akebono Brake Industry Co., Ltd (Akebono); Nihon; and Kanematsu. The joint venture is also licensed by the Company's Japanese affiliate, Lanxide K.K., for the manufacture, use and sale of brake products in Japan. Under the agreement, AKN made an initial license payment of \$4.0 million to the Company in November, 1996, the proceeds of which were used to repurchase the \$4.0 million of Alanx preferred stock held by Nihon. In addition, AKN is required to make payments totaling \$4.0 million to Lanxide K.K., payable in four equal installments the first of which was paid on November 15, 1996, and the remaining three are due on December 31, 1996, June 30, 1997 and December 31, 1997. The license also requires AKN to pay a royalty on all sales of licensed products. The agreement grants AKN the option to execute an exclusive manufacturing license for an additional \$4.0 million. This option expires in September 1997 and payment is due no later than September 1998. A separate agreement between Akebono, Nihon and the Company provides for a joint development program whereby the Company will be reimbursed \$4.0 million for development work performed over a two year period.

The Company has been engaged in discussions with a number of industrial entities in the United States, Europe and Asia regarding the potential licensing of the Company's technology to such entities for up-front fees and ongoing royalty interests. These discussions include the potential licensing of automotive brake components in North America that was previously held by Waupaca.

Technology, Patents and Trademarks

The Company's patented reinforced materials technologies include reinforced metals made by the PRIMEX(TM) pressureless metal infiltration process and the PRIMEX CAST(TM) foundry process, reinforced ceramics made by the DIMOX(TM) directed metal oxidation process, and reinforced polymers or reinforced ceramics made using CERASET(TM) ceramers.

The Company's PRIMEX(TM) reinforced metal technology offers features such as size and shape versatility; as formed, high tolerance dimensional capabilities; low processing costs; and engineerable properties. Reinforced metals are produced using the PRIMEX(TM) pressureless metal infiltration process, which occurs spontaneously in a controlled atmosphere above the melting point of a matrix alloy which is employed. The alloy infiltrates preformed configurations of reinforcing materials without pressure or vacuum. Either continuous or discontinuous reinforcements are accommodated, and a wide range of volume fractions of reinforcement can be produced. Near-net or net shaped components with reinforcement volume fractions of 30% to 80% are made by forming the filler into a shaped preform which is then infiltrated. Examples of composites produced are aluminum reinforced with aluminum oxide, aluminum nitride, and silicon carbide. Components containing from 5% to 40% by volume of reinforcement can be produced by conducting the infiltration process with excess aluminum, dispersing the filler uniformly into the excess aluminum by stirring, and then using conventional casting techniques to form composite articles.

The Company's DIMOX(TM) reinforced ceramic technology is based upon a unique, patented approach to the creation of composites by the use of a directed oxidation mechanism. The Company literally grows ceramic matrix composites via an oxidation reaction between a molten metal and an adjacent oxidant. The technique is generic and applies to numerous ceramic/metal systems, including oxides, nitrides, carbides and borides of metals such as aluminum, silicon, titanium, zirconium and hafnium.

A key feature of the DIMOX(TM) reinforced ceramic technology is that reinforcing materials (such as fibers, particles or platelets) can be placed into the path of the oxidation reaction so that they are captured in the developing ceramic matrix. Through appropriate choices of parent metal, oxidant, reinforcing material and processing conditions, the properties of the resulting composite can be engineered for specific performance requirements. Growth of the ceramic matrix into shaped preforms of reinforcing material produces components to final or near-final shape, since essentially no shrinkage occurs during the process. Simple or complex parts can be produced in a range of sizes from small to very large.

In 1993, the Company extended its technology base by acquiring innovative, patented CERASET(TM) ceramer, ceramic paper and ceramic microcomposite technologies from Hercules Inc. These technologies are synergistic with the Company's reinforced metals and reinforced ceramics processes. They have also provided a proprietary basis for extension of the Company's endeavors into polymer and reinforced polymer components, coatings, sealants and adhesives, monolithic ceramics and ceramic and reinforced ceramic coatings.

CERASET(TM) ceramers are a unique family of low viscosity liquid, thermosettable ceramic-backboned, polyureasilazane-based polymers. These polymers have exceptional thermal stability, corrosion resistance and rigidity. As temperatures are increased from 400 degree C to 1400 degree C, the polymers progressively condense and cross-link as polymers, ultimately

converting to ceramic compounds, such as silicon nitride, silicon carbide or aluminum nitride, depending on the specific polymer and processing conditions. Certain CERASET(TM) ceramers, when applied as liquids and then thermoset, exhibit strong adhesion to both metals and ceramic materials. This characteristic makes the polymers especially well-suited for making polymer matrix composites or for applications as binders for metal or ceramic particulate processing. The polymers can be used to prepare parts that are both strong and rigid by mixing a ceramic powder into the liquid polymer, forming the desired shape and then thermosetting the shape to achieve required strength.

Certain CERASET(TM) ceramers can also be combined with certain traditional organic polymers (urethane, epoxies, acrylics, etc.) to produce CERASET(TM) hybrid polymers, applicable to both composites and coatings. With only limited additions of certain CERASET(TM) polymers, properties such as temperature stability, corrosion resistance, moisture resistance, wear resistance, strength, toughness and stiffness of the base polymers can be improved in many instances, while retaining advantageous processing characteristics. The hybrid polymeric materials can be reinforced with ceramic or metallic constituents, further enhancing performance such as strength, rigidity, thermal conductivity, flame retardancy and wear resistance. CERASET(TM) ceramers can also be used to fabricate monolithic ceramics or ceramic matrix composites to near-net shape, to act as binders for preforms used in the DIMOX(TM) and PRIMEX(TM) composite formation processes, to produce high performance powders and fibers, and to act as adhesives for both low- and high-temperature applications.

As of September 30, 1996, the Company had 300 issued patents in the United States, none of which expires prior to 2004, with 55 additional patents pending, and 1,065 patents issued in 44 foreign countries, none of which expires prior to 2000, with 417 additional patents pending. As is typical with most research and development efforts, improvements to the technology contained in the Company's early patents have been made and patented, and continue to be made and patented, to provide the Company with continuing patent protection for its technology. In addition, the Company believes that certain of its know-how and proprietary information is legally protected as trade secret information, and the Company intends to maintain the confidential and proprietary nature of its trade secrets and to protect future proprietary developments. The Company's core technology patents cover its DIMOX(TM) reinforced ceramics, PRIMEX(TM) reinforced metals and CERASET(TM) ceramers, including broad claims to both processes and materials.

The Company maintains two registered trademarks. The Company's registered trademarks are ALANX(R) and LANXIDE(R). The Company and its affiliates also have rights in the following unregistered trademarks: DIMOX(TM), DIMOX HT(TM), PRIMEX(TM), PRIMEX CAST(TM), PRIMEXCOOL(TM), 2K(TM) CERASET(TM), CERASET SN(TM), CG896(TM) and CG273(TM).

The Company's patents are generally held within Lanxide Technology Company L.P., a wholly owned subsidiary of the Company.

Research, Development and Engineering

To support the Company's continuing efforts to increase its technology base and to commercialize products, the Company maintains extensive research, development and engineering (RD&E) facilities and a sophisticated RD&E team. With emphasis on materials research, product development and process engineering, the Company's RD&E activities are fast-paced and dynamic.

A comprehensive, in-depth understanding of the DIMOX(TM) and PRIMEX(TM) processes has been established as a result of a combination of government and internally funded programs. Presently, materials development activities of the Company focus on the development of new composite systems, especially hybrid polymers formulated from combinations of CERASET(TM) and other commercial polymers, and basic microstructure-process-property relationships. This development generates the basis for the Company's expanding patent portfolio and provides technical information in support of product development and commercialization efforts.

Several recent RD&E breakthroughs offer significant new product opportunities. For example, the Company has successfully demonstrated, on laboratory scale equipment, wrought processing of PRIMEX CAST(TM) reinforced aluminum containing 30 volume percent ceramic particles. Sheet products have been rolled and both bar and structural shapes have been extruded. Initial mechanical properties measurements show that these wrought products offer significant increases in ductility, at equivalent strengths and stiffness, as compared to their cast reinforced aluminum counterparts. These processing breakthroughs are expected to open markets not previously available to the Company. Examples of anticipated markets include automobile space frames, aerospace structural components, rail car structural components and truck/trailer structural components. The Company has also demonstrated the first reinforced aluminum brake rotor capable of operating at temperatures up to 1000 degree F. This represents a performance enhancement of almost 200 degree F over competing reinforced aluminum products, and provides a

significant advantage in performance for this safety-critical component.

Product development activities of the Company are all market driven, and include materials development, applications engineering, prototype production and process engineering. A major component of this effort is the development of light-weight, high-performance automotive components, such as brake components (including rotors, drums, calipers, caliper pistons and brake pad backing plates), connecting rods, piston pins, valve seats, bearing caps and other engine and transmission components. The Company has installed a pilot production line capable of manufacturing up to 25,000 brake rotors per year using the PRIMEX(TM) reinforced aluminum technology. This program has been funded primarily by Nihon and was being undertaken in close cooperation with Waupaca.

During fiscal 1995, the Company signed an 18-month, \$3.0 million contract with the Office of Naval Research of the U.S. Navy in a program funded by the Advanced Research Projects Agency (ARPA) of the U.S. Department of Defense. The goal of this program, which is an extension of a previous contract, is the development of flexible manufacturing systems for producing products based upon the Company's PRIMEX(TM) reinforced aluminum technology. The program has important implications for lowering the cost of military procurements, while substantially enhancing the Company's competitiveness in addressing world-wide commercial markets for net or near net shape, high-performance, light-weight industrial components ranging from electronic heat sinks and golf club inserts to automotive engine components.

The Company conducts its RD&E activities in state-of-the-art laboratories, which include such specialized facilities as a chemical vapor deposition coatings apparatus, analytical laboratories, a dynamic testing laboratory and a physical properties testing laboratory. The Company's RD&E activities occupy approximately 100,000 square feet in two adjacent buildings. See "Property." The RD&E team is composed of 72 people, including about 22 degreed professionals in a variety of professions such as materials science, metallurgy, organometallic chemistry, ceramic science and mechanical engineering.

Products

The following products are manufactured by the Company and its affiliates:

Electronic Components (Lanxide Electronic Components, Inc.): Ceramic-reinforced aluminum heat sinks, heat slugs, chip carriers, circuit board cores and chassis for telecommunications equipment, computers, power controllers, and avionics.

Gas Turbine Engine Components (DuPont Lanxide Composites Inc.): Ceramic-reinforced ceramic combustor liners, shrouds, vanes, and flameholders for aircraft and stationary gas turbine engines.

Rocket Engine Components (DuPont Lanxide Composites Inc.): Ceramic-reinforced ceramic hot gas valves and nozzles for theatre air defense and tactical missiles.

Aircraft Structural Components (DuPont Lanxide Composites Inc.): Ceramic-reinforced ceramic leading edges and fins for hypersonic aircraft and missiles.

Hot Gas Filters (DuPont Lanxide Composites Inc.): Ceramic combustion gas filters for combined cycle and coalfired gas turbine engine stationary power generators.

Heat Exchanger Components (DuPont Lanxide Composites Inc.): High temperature ceramic-reinforced ceramic heat exchanger components for petrochemical processes, aluminum remelt furnaces and industrial incinerators.

Armor (Lanxide Armor Products Inc.): Reinforced ceramic and ceramic-reinforced metallic armor and armor arrays for ballistic protection of personnel, aircraft, marine vessels and ground vehicles.

Materials Handling Components (Alanx Wear Solutions, Inc.): Wear-resistant ceramic-reinforced ceramic components for slurry pumps, hydrocyclones, chute liners and combustor fan liners for the mining, electric power generation, chemical process, glass, cement and paper industries.

High Performance Refractories (Lanxide ThermoComposites Inc.): Ceramic-reinforced ceramic components for continuous casting of molten steel.

Ceramic-Reinforced Aluminum Ingot (Lanxide Performance Materials Inc.): Castable ceramic-reinforced aluminum ingot for production of high stiffness, low expansion, lightweight, wear-resistant components

using investment casting, sand casting, die casting and permanent mold casting processes. Current applications include rail and automotive brake rotors, semiconductor wafer chucks, robot arms, photolithographic stages, avionics chassis, satellite components, and jet ski drive components.

Ceramers (Lanxide Performance Materials Inc.): Ceramic-backed thermosetting polymers for production of chemically stable, temperature-resistant, wear resistant, uv-resistant, moisture-resistant, non-stick and fire retardant coatings, adhesives, encapsulants, binders, fibers and molded components. Current applications under development include automotive paints, cookware coatings, rubber formulations, fastener coatings, floor coatings, concrete patch mixes, television tube fixturing, wear tiles, pipeline coatings, golf club heads, ceramic filter binders, flatiron coatings and engineering polymer additives.

Ceramic-Coated Graphite Components (Lanxide Performance Materials Inc.): Ceramic-coated graphite components for optical fiber, fiberglass and polymer fiber manufacturing; glass container manufacturing; paper manufacturing; computer hard disk substrates; television tube manufacturing; crucibles; and molten metal processing.

The following products are licensed by the Company for manufacture by the following non-affiliates:

A.P. Green Industries, Inc.
Industrial Refractories

Brembo S.p.A.
Brake System Components for Motor Vehicles

Waupaca Foundry, Inc.
Automotive Brake System Components
Agricultural Components

Sturm, Ruger & Company, Inc.
Firearms Components
Bicycle Components
Golf Club Heads

Lanxide Precision, Inc.
Semiconductor Manufacturing Equipment
Optical Components
Business Machine Components
Vending Machine Components
Laboratory Test Equipment Components
Metrology Components
Medical Diagnostic Equipment Components
Robot Components
Automation Equipment Components

Nihon Cement Co., Ltd.
Precision Instruments

AKN Corporation
Brake System Components

Competition and Market Segments

The materials industry has been characterized by extensive research and development efforts and new developments in advanced materials technology are expected to continue at a rapid pace. The markets to which the Company's technology and products apply are diverse in character. Market drivers differ widely. Competition varies from market to market, both in terms of competing entities and competing technology. Furthermore, time and resources necessary to penetrate any market segment vary widely.

The Company's long-term success will depend, in part, upon its ability to maintain a competitive position for its LANXIDE(TM) composites with respect to other materials, including materials which may be developed in the future. A number of domestic and foreign companies are actively engaged in the research and development of advanced materials technology and many of these companies have substantially greater financial resources and production and marketing capabilities than the Company. In most of its target markets, the Company will encounter competition from metal, plastic, ceramic and other materials producers, as well as from the manufacturers of components made of these materials. Although the Company possesses proprietary rights to its technologies, which it believes are commercially viable, several large multinational corporations conduct large-scale research and development programs in the composite materials field.

At the same time, the Company believes it has no broadscale competitor. For example, the materials technology the Company is promoting in the steel refractory industry is completely different from such technology in the auto

industry, the electronics industry, the aircraft industry, the semiconductor equipment industry, or in the mining industry. Similarly, the competing companies are generally not common among any of those same industries. Barriers to entry in the Company's markets vary from low to high, and foreign competition varies from meaningful to non-existent, depending upon which market opportunities are being discussed. Since the Company's technology is anticipated to be applicable in a hundred or more markets (it has already been adopted in more than a dozen), it is difficult to consider each market separately, let alone any one in depth, or to generalize regarding their character, which is diverse. Because of this broad diversity in competition, the Company does not characterize its competitors as primarily advanced materials companies, composites producers, ceramics producers or commodity metals producers.

While no competitor has to date been identified which competes broadly across the product areas for which the Company's technology applies, the Company and its affiliates compete with a broad array of both large and small competitors in specific market niches. Examples of such direct competitors include: B.F. Goodrich (turbine engine parts), S.E.P. (turbine engine parts), Coors Ceramics (wear parts and armor), PCC Composites (electronic components), Alcan Aluminium Limited and its affiliates (aluminum composite ingot), Sumitomo Metals (electronic heat sinks), Kyocera (wear parts), Carborundum (heat exchanger components), North American Refractory (steel refractories), Alcoa (electronic components), Cookson (steel refractories), Ceramic Process Systems (electronic package lids) and Ube (coatings). In addition, some of the Company's suppliers are competitors and some of the Company's competitors are also customers of the Company, although in different product areas than those they supply to or buy from the Company. Corporations with which the Company has collaborative development relationships may also be conducting independent research and development efforts in areas which are or some day may be competitive with the business of the Company.

Sales and Marketing

The Company and its affiliates manufacture limited quantities of many products, some of which are manufactured at commercially viable production levels. The Company competes in markets where both ceramic and non-ceramic products are currently in use and where competitors have established marketing capabilities. Commercial acceptance of the Company's products depends in part on the ability of the marketing and sales forces of the Company, its affiliates and its licensees to demonstrate effectively the advantages of LANXIDE(TM) products over more traditional products.

Products of the Company's technology are marketed by the individual commercial business units which comprise the Company's affiliates and licensees, which have their own sales and marketing staffs. The Company additionally undertakes market development activities based at its headquarters, aimed at identifying new opportunities which fall outside of the activities of its existing business units and licenses. Such efforts are directed at providing the basis either for further license activity or for additional product manufacture by the Company or its affiliates.

Affiliates of the Company

In order to exploit the technologies it has developed, the Company has entered into and/or formed a number of joint ventures, one of which was recently converted to a license arrangement; as well as operating subsidiaries, two of which have been deactivated and one of which was sold. Each Affiliate is focused on a specific industry market segment, with the exception of Lanxide K.K., which is effectively the Company's master licensee and hub for the Company's business development activity in Japan. The affiliates of the Company are:

Alanx Wear Solutions, Inc.

Alanx Products, Inc. (Alanx) was a leader in introducing superior composite materials to solve industrial wear problems and provided pump, cyclone and pipeline components to over 75 mines on six continents. On June 26, 1995, Alanx sold substantially all of its assets to Alanx Wear Solutions, Inc. (Alanx Wear) for 15% of the equity of Alanx Wear, a royalty bearing license and certain payments to the Company. Alanx has subsequently declined its preemptive right to purchase shares of preferred stock upon issuance, therefore its interest in Alanx Wear has been diluted to 10%. Alanx subsequently changed its name to Lanxide Wear Products, Inc.

Celanx K.K.

Celanx K.K. (Celanx) was a joint venture between Nihon and Lanxide K.K., 50% owned by each. The venture was formed in November 1993 to commercialize the Company's technology in the same product areas as Alanx and LPI, but within the domestic Japanese market. On March 28, 1996, Lanxide K.K. sold its remaining 50% ownership interest in Celanx K.K. to Nihon effectively giving Nihon sole ownership of the license to manufacture, market

and sell precision instruments in Japan. As consideration for its interest in Celanx K.K., Lanxide K.K. will receive ongoing royalties from precision instrument sales generated by Celanx K.K. Concurrent with this sale, Lanxide K.K. reacquired its wear products license from Celanx K.K. As a result of this transaction, Lanxide K.K. recognized the remainder of the deferred gain associated with the 1994 sale of 50% of its ownership in Celanx K.K. to Nihon.

DuPont Lanxide Composites Inc.

DLC commenced as a joint venture between the Company and DuPont in July 1987 to develop and commercialize the LANXIDE(TM) technology in the area of gas turbine engine components, certain aerospace components and high temperature heat exchanger components. In 1992 the venture's charter was expanded to include rocket engine components and hot gas filters. DLC was originally owned 70% by DuPont and 30% by the Company. On June 28, 1996, the Company sold 20% of its interest in DLC to DuPont, thus reducing its ownership from 30% to 10%.

Lanxide Armor Products

LAP was established in October 1986, as a joint venture by DuPont and the Company for the purpose of developing, manufacturing and marketing products for use in the areas of personnel, aircraft, marine and land vehicle armor. On June 30, 1995, the Company sold part of its equity interest in LAP to DuPont for \$1.8 million, reducing the Company's ownership from 57% to 27% and increasing DuPont's ownership to 73%. On June 28, 1996, the Company purchased DuPont's entire interest in the venture and now owns 100% of this business.

Lanxide Electronic Components Inc.

LEC was formed as a joint venture in April 1990 by DuPont and the Company to commercialize electronic components, including heat sinks, circuit boardcores, chip carriers, packages and chassis. On June 30, 1995, the Company used the proceeds of its sale of equity in LAC to purchase an additional 30% interest in LEC, raising the Company's ownership in LEC to 80% and on June 28, 1996, the Company purchased DuPont's remaining 20% common stock interest. DuPont continues to own 100% of the preferred stock. This transaction reflects the Company's intention to increase its focus on high volume manufacturing of ceramic-reinforced aluminum components.

Lanxide K.K.

Lanxide K.K. was incorporated under the laws of Japan in April 1992 by the Company and Kanematsu Corporation for the purpose of broadly commercializing products of the Company's technology in Japan. Lanxide K.K. is owned 35% by Kanematsu and 65% by the Company.

Lanxide Performance Materials, Inc.

LPM, a wholly owned subsidiary, was formed in August 1994 in Delaware to supply two key proprietary raw material constituents, CERASET(TM) ceramer and PRIMEX CAST(TM) reinforced aluminum ingot, to various commercial component businesses and licensees of the Company. Centralized manufacturing of these materials allows the Company to maximize production volume efficiencies and provide economic benefits to all of its affiliates and licensees. A ten-fold expansion of PRIMEX CAST(TM) ingot capacity to 1,500 tons per year is planned and will be operational as rapidly as market conditions demand. CERASET(TM) ceramer production has been contracted to an outside specialty chemical manufacturer, Harris Specialty Chemical Company.

Lanxide Sports International, Inc.

LSI was incorporated in Delaware in 1992 to commercialize the new materials technology of the Company in the sporting goods industry. LSI's initial development efforts were intended to focus on golf clubs and ice skate blades, with potential future expansion to other product categories, including bicycle components, ski equipment, tennis rackets, fishing gear, and water and team sports equipment. In February 1995, the Company acquired the 39% interest in LSI, which it did not own, from certain accredited investors and management of LSI in exchange for an aggregate of 110,962 shares of Old Common Stock. Subsequently, the Board of Directors determined that, due to the cost of funding operations at LSI and the failure of LSI to earn revenues from the development and sale of products in the sporting goods industry, it was in the best interests of the Company to discontinue operations at LSI.

Lanxide Surgical Products, Inc.

Lanxide Surgical, a wholly owned subsidiary of the Company, and Cerametal Surgical, Inc. (Cerametal) pursued the development of a joint venture to address the need in the surgical market for superior net shape forming technology. Development efforts initially centered around a

particular component where the net shape capabilities of the PRIMEX(TM) process are crucial in allowing the part to be economically manufactured to tight tolerances. Based upon a customer's indications of strength requirements for the initial part, the Company developed a composite material believed to be suitable for the application. The customer placed an order with the Company for delivery of the component amounting to \$3.6 million. Subsequently, the customer revised its view on the strength requirements of the part, to the point where it became apparent that a major, high-risk additional investment in materials development would be required. The Company declined to pursue the project further, in light of its limitations in capital and alternative, more promising opportunities. During the period of this project, Cerametics failed on three occasions to meet capital calls of the venture. As a result of all of these factors, this venture was discontinued as of March 1995.

Lanxide Technology Company, L.P.

Lanxide Technology Company, L.P. (Lanxide Technology) was established in January 1986 as a Delaware limited partnership in which the Company has since become the sole partner. Lanxide Technology holds the intellectual property of the Company, including patents, trademarks and trade secrets.

Lanxide ThermoComposites, Inc.

Lanxide ThermoComposites, Inc. (Lanxide Thermo), until recently a wholly owned subsidiary of the Company, was incorporated on May 25, 1994 in Delaware to provide high-performance refractory components to the ferrous metals industry. This entity is undertaking to capitalize on the substantially greater performance that DIMOX(TM) reinforced ceramic materials can provide to the industry compared to traditional refractory components. Manufacturing of the initial products has been contracted to LAP, which is expected to have sufficient manufacturing capacity to support the needs of the new venture for up to two years.

In December 1995, the Company sold 51% of its interest in Lanxide Thermo to A.P. Green in consideration for A.P. Green providing funding to support Lanxide Thermo's business. Immediately prior to the sale to A.P. Green, Lanxide Thermo acquired Chiam Technologies Inc. in exchange for a 20% common stock interest in Lanxide Thermo. Chiam Technologies Inc. specializes in the export of refractory products from the People's Republic of China.

Employees

The Company currently employs 170 full-time employees, of whom 72 are in its Technology Department. The rest are employed in administrative, marketing, patent and other functions. Of the Company's total employees, 14 hold Ph.D. degrees and another 16 hold other advanced degrees. The turnover rate for the Company's employees during fiscal year 1996 was 14.0%. All employees are provided with a standard benefits package consisting of hospital/medical, life, disability and dental insurance, as well as educational assistance. Employees also have access to certain savings/option plans. See "Executive Compensation _ Existing Company Plans."

None of the Company's employees are covered by collective bargaining agreements. The Company considers its relationship with its employees to be good.

Regulatory Matters

The Company generates small quantities of used solvents and chemicals categorized by Federal and/or state governments as hazardous waste in its research and development and manufacturing operations. Disposal of such waste is regulated by state and Federal regulations. The Company is currently engaged, and expects to engage in the future, in collaborative development and other agreements with foreign entities. The Company must comply with Federal regulations regarding import and export of raw materials, finished products and technology. Although regulatory constraints in the environmental, import and export and government contract areas do not currently pose material impediments to the Company's operations, any substantial change in these or other regulations could have a material adverse effect on the Company's business.

ITEM 2. PROPERTY

The Company operates from two adjacent buildings in a campus-like setting in Newark, Delaware. Both buildings are configured to meet the needs of the Company with central security systems, fire alarm systems, sprinklers, central fiber optic phone switches and network computing. The facilities are configured for research, product development and manufacturing with central compressed air, exhaust and makeup ventilation, natural gas and liquid nitrogen systems, and are served by eleven independent electrical distribution banks.

Marrows Road Facility

The Company purchased the Marrows Road Facility in 1987. The two-story, 170,000 square foot building houses office space, research laboratories and production areas, along with shipping and receiving docks and inventory staging. In July 1994, the Company refinanced its mortgage held on the Marrows Road Facility through PNC Bank, Delaware (the Refinancing). Part of the proceeds from the Refinancing was used by the Company to pay off a note due to Cognitronics Corporation, the company from which LPI purchased Stamford Tool & Die, Inc. in June 1993.

On March 28, 1996, the Company sold the Marrows Road Facility for \$8.6 million to QRS 12-16, Inc., an entity established by CPA:12, a real estate investment trust sponsored by W.P. Carey, a leading purchaser and lessor of corporate real estate. The Company entered into a lease with QRS 12-16, Inc., as Landlord (the Marrows Road Lease). The term of the Marrows Road Lease is twenty years with four automatic renewals of five years each. Pursuant to the Marrows Road Lease, the Company makes quarterly payments equal to approximately \$244,000, subject to adjustment for inflation every five years. The Marrows Road Lease requires the Company to comply with certain financial covenants and limits the Company's ability, among other things, (i) to assume additional indebtedness, (ii) to become a guarantor of contingent obligations, and (iii) to make restricted payments (as defined therein) including the declaration of dividends on the Company's Common Stock. The Marrows Road Lease also grants the Company a right of first refusal with respect to the purchase of the Marrows Road Facility.

The foregoing sale and leaseback transaction generated net proceeds of \$3.3 million after the prepayment of a \$4.1 million mortgage on the facility and payment of the associated fees and closing costs. In connection with the sale and leaseback, the Company entered into sublease agreements with each of the three joint venture companies which, prior to the transaction, leased 105,600 square feet of space from the Company.

As part of the sale and leaseback transaction, the Company granted to the purchaser of the Marrows Road Facility a Warrant to purchase 15,500 shares of the Company's Common Stock at an exercise price of \$14.00 per share for a five-year period. The Company also paid MeesPierson, Inc. a fee for arranging the sale and leaseback transaction, which fee was equal to \$150,000 and 10,700 shares of the Company's Common Stock (10% of the net proceeds of the sale and leaseback transaction payable 37.5% in cash and 62.5% in the Company's Common Stock at the fair market value of the Common Stock on the day of closing of the sale and leaseback transaction).

Forge Drive Facility

This 60,000 square foot, air-conditioned, largely one-story building is the original site of the Company. Besides housing the Company's technical library and extensive research, development and production areas, this building also contains the Company's executive offices, a prototype machine shop (model shop) and product quality and testing (characterization) laboratories.

The Company leases this facility from an affiliate of Bentley J. Blum, a director and principal stockholder of the Company. A lease modification agreement, effective August 1, 1996, was entered into whereby the primary term of the lease was extended through December 31, 2008. The Company has an option to extend the lease for another ten-year period commencing on January 1, 2009. The Company has the right of first refusal with respect to the purchase of this property.

ITEM 3. LEGAL PROCEEDINGS

On July 17, 1996, certain stockholders of the Company, who owned an aggregate of 149,529 shares of the Company's old common stock prior to the consummation of the Company's Recapitalization Plan, filed a lawsuit in the United States District Court for the District of Colorado against the Company.

The allegations in the Complaint arise from a settlement agreement (the Settlement Agreement) entered into by the plaintiffs and the Company in March 1996 relating to the Company's Ownership Change. Pursuant to the Settlement Agreement, the plaintiffs agreed to relinquish all claims against the Company relating to the Recapitalization Plan, including their demand for appraisal rights under Section 262 of the DGCL, in exchange for Units of the Company plus the right to purchase shares of the Company's new common stock and to receive warrants for additional shares of the Company's new common stock.

In the Complaint, the plaintiffs alleged that the Company had breached the Settlement Agreement by substituting for the "new common stock," a class of restricted stock of a lesser value that was not contemplated by the Settlement Agreement. The plaintiffs seek, among other things, monetary damages, the reinstatement of their appraisal claim, and the award of the costs and disbursements of the action, including reasonable attorneys' and

experts' fees. The Company believes that the plaintiffs' claims are without merit and intends to defend vigorously against such claims.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITYHOLDERS

None.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock has been traded in the over-the-counter market and quoted on the OTC Bulletin Board under the symbol "LNXI" since November 14, 1995. From November 14, 1995 through November 14, 1996, (the date on which the Unit Warrants expired), Units consisting of one Unit Warrant and one share of Series A Stock were traded in the over-the-counter market and quoted on the OTC Bulletin Board under the symbol "LN XIU." Since November 15, 1996, the Series A Stock has been traded in the over-the-counter market and quoted on the OTC Bulletin Board under the symbol "LN XIP." As of December 13, 1996, the Company had approximately 190 holders of record of the Company's Common Stock and 384 holders of record of the Company's Preferred Stock. The following table sets forth, for the periods indicated, the reported high and low bid prices per share of the Company's Common Stock, from and after November 14, 1995, as quoted by the OTC Bulletin Board. Such prices reflect inter-dealer quotations without retail markup, markdown or commission and may not necessarily represent actual transactions. The trading market for the Common Stock is extremely limited and sporadic.

Common Stock

Year ended September 30, 1996	High	Low
First quarter (from November 14, 1995)	\$ 10.50	\$ 4.50
Second quarter	17.50	10.00
Third quarter	19.75	17.25
Fourth quarter	20.00	16.00
Year ended September 30, 1997		
First quarter (to December 13, 1996)	\$ 18.00	\$ 12.00

Dividends

The Company has never paid dividends on the Company's Common Stock and does not intend to pay dividends in the foreseeable future. The Company's ability to pay dividends is subject to certain restrictions. The Company's ability to declare and pay dividends on the Company's Common Stock is limited by (i) a Loan and Security Agreement, dated April 29, 1994, between the Company and Kanematsu, providing that the Company may not declare or pay any dividend that would have a material adverse effect on the collateral under such agreement, and (ii) the Lease Agreement, dated March 28, 1996, between QRS 12-16, Inc. and the Company, limiting the Company's ability to make restricted payments, which term includes dividends on the Company's Common Stock. The terms of the Company's Series A Preferred Stock limit the Company's ability to declare and pay dividends on the Company's Common Stock.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following is a discussion of the consolidated financial condition and results of operations of the Company for the years ended September 30, 1996 and 1995, as well as certain factors that may affect the Company's prospective financial condition. This section should be read in conjunction with the Consolidated Financial Statements and the Notes thereto included in this 10-KSB.

Overview

Historically, the Company's revenues have been derived primarily from research contracts and development agreements with DuPont and the U.S. Government and, more recently, from technology licensing revenues and product sales to outside customers. In addition, a substantial portion of the Company's research and development (R&D) and other operating costs have been funded by Alcan Aluminum Limited (Alcan) and its affiliates, DuPont and Kanematsu through the Company's consolidated affiliates.

The Company operates principally in the United States and to some degree through its subsidiary in Japan. See Note 6 to the Company's Consolidated Financial Statements included in this 10-KSB.

Since its founding in 1983, the Company, Alcan, DuPont, the U.S.

Government, Kanematsu and other business partners have expended significant funds on research and development of the Company's technology and related patent strategy. The funds provided for such expenditures have been expensed by the Company and, accordingly, are not reflected as assets on the Company's consolidated balance sheet. However, the Company believes that these expenditures have added significant value to the LANXIDE (TM) technology and to the Company. As a result of the successful development of its technology, the Company has generally been able to retain an ownership interest in the various commercial ventures in exchange for licensing its technology to such ventures.

Initially, the Company's business strategy was to develop and commercialize its technology and products through individual subsidiary businesses and selective market-focused commercial ventures and partnerships utilizing its own resources, those of world-class industrial partners and contract funding from the U.S. Government. In furtherance thereof, during 1994, three new businesses focused on specific product areas being developed by the Company were added to the Company's portfolio of commercial ventures, with the Company responsible for the funding of each.

During 1995, the Company continued to experience larger-than-anticipated losses, and the increasing cash demands placed on the Company from both its new businesses and more established commercial ventures made it increasingly apparent to the Company that a fundamental change in strategy was required. The Company took steps to reduce demands for capital through a number of different actions, including the reduction of its work force, the discontinuance of two of its commercial ventures, the sale of one of its subsidiaries and the sale of a majority interest in three of its other subsidiaries.

Simultaneous with these actions, the Company embarked on a program to license its technology in certain specific market sectors by product and geography in order to generate immediate cash for the Company. Since implementing this strategy, the Company consummated license agreements with A.P. Green, Waupaca, (which license agreement was canceled by Waupaca effective March 31, 1997), Sturm Ruger, Brembo and AKN which generated initial license fees, as well as future license fees and royalties which are subject to certain termination clauses. In addition, the Company entered into two license agreements pursuant to the sale of two wholly-owned subsidiaries and converted its joint venture with Nihon into a license and royalty arrangement.

Results of Operations

Revenues from research and development contracts and commercial development agreements (other than the Company's agreements with its consolidated affiliates) are reported under "Research and development contract revenue" in the Company's Consolidated Statement of Operations. Expenses related to these contracts and agreements are reported under operating costs as "Research and development contract costs."

Research and development costs represent costs incurred for projects sponsored by the Company and/or its commercial venture partners through the Company's consolidated affiliates. This includes research costs to develop and provide patent protection for the Company's technology. Operating losses funded by minority owners of the Company's consolidated affiliates are allocated to such owners as "Minority allocation of operating loss."

Significant Customers; Commercial Relationships With the U.S. Government

The Company's significant revenue sources consist primarily of (i) technology licensing revenues; (ii) U.S. Government contract funding; (iii) revenues from a brake component development agreement between the Company and Nihon; (iv) product development revenues received from unconsolidated commercial ventures; and (v) sales revenues of consolidated subsidiaries of the Company.

The U.S. Government is a significant customer of the Company. Contract revenues received from the Government amounted to \$3,338,000 and \$2,865,000 for the years ended September 30, 1996 and 1995, respectively. Currently, the Company has nine government contracts totaling \$5,167,000 of which \$3,089,000 has been billed through September 30, 1996. The Company anticipates revenues of \$1,525,000 in 1997 associated with these government contracts. These contracts may be terminated at the convenience of the government upon written notice to the Company. Termination of these contracts would adversely affect the Company.

Commercial Relationships With DuPont

Since 1987, the Company and DuPont have formed three commercial joint ventures -- Lanxide Electronic Components, Inc. (LEC), Lanxide Armor Company, L.P. (LAC) and Du Pont Lanxide Composites, L.P. (DLC).

On June 28, 1996, the Company purchased DuPont's remaining ownership interests in LAC and LEC and sold a portion of its interest in DLC to DuPont (the Ownership Change). LAC and LEC are now owned 100% by the Company while its ownership interest in DLC has been reduced to 10%. The Company recognized a net gain of \$6,388,000 from this transaction. Concomitant with the purchase, LAC was merged into the company's wholly-owned subsidiary, Lanxide Armor Products, Inc. (LAP), with LAP the surviving entity.

The ownership interests of these commercial ventures prior to and following the Ownership Change are as follows:

	Lanxide-Ownership		DuPont-Ownership	
	Before	After	Before	After
LEC	80%	100%	20%	0%
LAC	27%	100%	73%	0%
DLC	30%	10%	70%	90%

DuPont is required to provide 100% of the funding requirements of DLC through 1999, after which funding will be based on ownership interest. If either DuPont or the Company fails to meet future funding obligations, its respective ownership interest will be diluted if such funding obligations are met by the other owner.

LAP, LEC and DLC sublease space from the Company primarily in the Marrows Road manufacturing facility. Also, the Company provides accounting, purchasing, payroll and human resource services to these ventures. Amounts received by the Company from unconsolidated affiliates for administrative and facilities costs and services are reflected as a reduction to selling, general and administrative expense, which totaled \$2,094,000 and \$1,417,000 for the years ended September 30, 1996 and 1995, respectively. On March 28, 1996, the Company sold its Marrows Road manufacturing facility to QRS-12, Inc. as part of a sale and leaseback transaction. See "Liquidity and Capital Resources" below.

These three commercial ventures also contract R&D services from the Company. Revenue received by the Company from unconsolidated affiliates is recorded as contract revenue, which totaled \$1,347,000 and \$1,066,000 for the years ended September 30, 1996 and 1995, respectively.

Percentage Relationship to Net Revenues

The following table sets forth the percentage relationship to net revenues of certain items in the Company's Consolidated Statements of Operations for the periods presented:

	Year-ended September 30,	
	1996	1995
Revenues	100%	100%
Operating costs:		
Cost of sales	(31)	(51)
Research and development contract costs	(20)	(30)
Research and development	(34)	(46)
Selling, general and administrative	(38)	(79)
Minority allocation of operating loss	3	15
Equity in net loss of unconsolidated affiliates	(5)	(14)
Interest expense	(10)	(12)
Gain on sale of subsidiaries	40	
Loss on sale of assets of subsidiary		(18)
Other income	4	5
Income tax expense	(1)	
Net income (loss)	8	(130)

Year ended September 30, 1996 compared to Year ended September 30, 1995

The Company recorded net income of \$1,573,000 on revenues of \$18,609,000 during the year ended September 30, 1996, as compared to a net loss of \$22,717,000 on revenues of \$17,523,000 during the year ended September 30, 1995. The Company's revenue was generated primarily from licensing revenues, product sales, and research and development contracts as discussed in greater detail below.

The Company's net income of \$1,573,000 for the year ended September 30, 1996 as compared to a \$22,717,000 loss for the prior period was primarily a result of the following factors:

- (1) 1996 license fees of \$6,630,000 versus \$2,000,000 in 1995.
- (2) A gain of \$6,388,000 associated with the sale of a DuPont

commercial joint venture (DLC) on June 28, 1996.

- (3) A gain of \$1,125,000 associated with the sale of Lanxide Precision, Inc. (LPI) on May 25, 1995 to LNX Acquisition Company. The gain had been deferred until June 4, 1996, when final payment on the sale was received.
- (4) A 20% reduction in the Company's work force during the second quarter of fiscal year 1995.
- (5) A reduction in losses attributable to its commercial ventures because of the following events:
 - (A) During the second quarter of fiscal year 1995, the Company discontinued the Lanxide Sports International, Inc. and Lanxide Surgical Devices Company commercial ventures.
 - (B) The sale of LPI as noted above.
 - (C) In June 1995, the Company sold 85% of the business of Alanx Products, Inc. (Alanx) to Alanx Wear Solutions and recorded a loss of \$3,058,000 on the sale.
 - (D) In December 1995, the Company sold its majority ownership in Lanxide ThermoComposites, Inc. (Lanxide Thermo) to A.P. Green.
 - (E) A decrease in losses at Lanxide K.K. due to cost reduction efforts.

The Company believes these factors and the significant restructuring of the Company in the past year will continue to have a favorable impact on future operations. However, the above events will be partially offset in future periods due to the consolidation of the full operations of LAP and LEC as a result of the Ownership Change.

Net Sales and Cost of Sales

Consolidated sales decreased 31% to \$6,464,000 from \$9,393,000 and cost of sales decreased 36% to \$5,706,000 from \$8,975,000 compared to the prior period. These decreases are primarily due to the sale of LPI and Alanx in fiscal 1995. Partially offsetting this decrease is the consolidation of LEC starting on June 30, 1995, at which time the Company increased its ownership interest in LEC to 80%.

Licensing Revenue

Licensing revenue of \$6,630,000 and \$2,000,000 during the years ended September 30, 1996 and 1995, respectively, relates to the following license agreements:

	(Dollars in thousands)	
	Years ended September 30,	
	1996	1995
Waupaca	\$ 2,000	\$ 2,000
A.P. Green	750	---
Brembo	800	---
Sturm Ruger	1,000	---
Nihon	2,080	---
	-----	-----
	\$ 6,630	\$ 2,000
	=====	=====

The Waupaca license is in the area of automotive brake system components and certain agricultural machine wear components. On December 6, 1996, Waupaca notified the Company that it will not exercise its right under the agreement to extend its license beyond March 31, 1997. Waupaca indicated that it viewed its rate of market penetration with the new technology as insufficient in light of large demands for investment in Waupaca's expanding cast iron business.

Pursuant to the A.P. Green license agreement, A.P. Green has the exclusive and perpetual right to use LANXIDE(TM) technology to make, use and sell industrial refractories, other than those employed in the ferrous metal industry, worldwide except for Japan. Subject to its unilateral right to terminate this license, A.P. Green is required to make the following additional payments totaling \$1,050,000 over the next two years: \$250,000 in April 1997; \$300,000 in July 1997; and \$500,000 in January 1998. A.P. Green will also pay to the Company royalties on annual sales of products manufactured and sold under the license.

The Brembo license agreement is in the area of automotive brake rotors and drums for motor vehicles. Subject to its unilateral right to terminate

the license, Brembo is required to make the following additional payments totaling \$1,200,000 over the next year: \$400,000 in December 1996; \$400,000 in June 1997; and \$400,000 in December 1997. In addition, the license agreement includes royalty payments on the sale of licensed products. A minimum royalty payment of \$250,000 is applicable for years three through six of the license agreement.

Pursuant to the Sturm Ruger license agreement, which grants Sturm Ruger the right to produce and sell certain sporting goods components outside of Japan, the Company received an initial license fee of \$1,000,000 in April 1995. The initial license agreement granted Sturm Ruger a one-year option to terminate the license and be repaid the \$1,000,000 by the Company in the form of either cash or common stock at the Company's option. As a result, the Company deferred recognition of the license fee revenue in fiscal 1995. In January 1996, the Company and Sturm Ruger signed a new license agreement which grants the licensee some additional product rights to certain sporting goods components outside of Japan. In consideration for the expanded license, Sturm Ruger waived its one-year option to terminate the license. Thus, the original deferred amount of \$1,000,000 was recorded as revenue during the second quarter of fiscal year 1996. The license agreement includes a royalty to the Company on the sale of licensed products.

In June 1995, Alanx sold substantially all of its assets to Alanx Wear Solutions (Alanx Wear). Under the terms of the sale, Alanx received an initial 15% common stock interest in Alanx Wear and a royalty bearing license on sales.

In May 1995, the Company sold all of its stock ownership in LPI, a wholly-owned subsidiary. The sale converted the existing license agreement with LPI to a royalty bearing license on sales of composite materials and components.

On March 28, 1996, Lanxide K.K. sold its remaining 50% ownership interest in Celanx K.K. to Nihon effectively giving Nihon sole ownership of the license to manufacture, market and sell precision instruments in Japan. As consideration for its interest in Celanx K.K., Lanxide K.K. will receive ongoing royalties from precision instrument sales generated by Celanx K.K. Concurrent with this sale, Lanxide K.K. reacquired its wear products license from Celanx K.K. As a result of this transaction, Lanxide K.K. recognized the remaining \$2,826,000 deferred gain (net of its investment in Celanx K.K.) associated with the 1994 sale of 50% of its ownership in Celanx K.K. to Nihon, of which, \$2,080,000 is recorded as license revenue.

Although not affecting the periods presented, the Company signed a non-exclusive license agreement with AKN in October 1996 for the manufacture, use and sale of brake components in Southeast Asia and Oceania. AKN is a newly created joint venture of three global companies headquartered in Japan: Akebono Brake Industry Co., Ltd (Akebono); Nihon; and Kanematsu. The joint venture is also licensed by the Company's Japanese affiliate, Lanxide K.K., for the manufacture, use and sale of brake products in Japan. Under the agreement, AKN was required to make an initial license payment of \$4,000,000 to the Company in November 1996. The proceeds were used to repurchase the \$4,000,000 of Alanx preferred stock held by Nihon (See Note 2 to the Company's Consolidated Financial Statements included in this Form 10-KSB). In addition, AKN is required to make payments totaling \$4,000,000 to Lanxide K.K., payable in four equal installments due on November 15, 1996, December 31, 1996, June 30, 1997 and December 31, 1997. The license also requires AKN to pay a royalty on all sales of licensed products. The agreement grants AKN the option to execute an exclusive manufacturing license in Southeast Asia and Oceania for an additional \$4,000,000. This option expires in September 1997 and payment is due no later than September 1998. A separate agreement between Akebono, Nihon and the Company provides for a joint development program whereby the Company will be reimbursed \$4,000,000 for development work performed over a two year period.

The Company expects to continue to license its technology in certain specific market sectors by product and geography. Although the Company will, subject to the availability of capital, continue to commercialize products using the LANXIDE (TM) technology through its wholly or partially owned ventures, the Company plans to seek advantageous licensing arrangements with third parties which have the ability to commercialize products in those areas where there are significant barriers to entry (i.e., substantial up-front costs or the need for a substantial industry presence or where LANXIDE (TM) technology provides only a portion of the necessary solution).

Contract Revenue and Contract Costs

Research and development contract revenue decreased \$615,000, from \$6,130,000 to \$5,515,000, and contract costs decreased \$1,576,000, from \$5,313,000 to \$3,737,000, compared to the prior period. The decreases were primarily the result of the June 1995 ownership changes in LEC and LAC which resulted in the consolidation of LEC and the deconsolidation of LAC.

Partially offsetting these decreases was the work performed in support

of a brake component development agreement with Nihon, including the amortization of equipment purchased under the contract. Under this agreement, Nihon and the Company funded \$3,000,000 and \$1,000,000, respectively, of development costs. In addition, government contract revenue increased during fiscal year 1996.

Research and Development Costs

R&D spending decreased by \$1,862,000, from \$8,101,000 to \$6,239,000, for the periods presented. This decrease is primarily attributable to the Company's emphasis on reducing its expenses associated with the parent company and its subsidiaries. Such expense reductions include the previously mentioned 20% work force reduction in March 1995, the discontinuance of two of its commercial ventures, the sale of one of its subsidiaries and the sale of a majority interest in two of its other subsidiaries. The decrease also reflects the fact that LAC was not consolidated for the period July 1995 through June 1996 due to the Company's 27% ownership interest during that period.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased \$6,739,000, from \$13,869,000 to \$7,130,000, over the prior period, principally for the same reasons cited above for the R&D cost reduction.

Included in selling, general and administrative expenses are reimbursements of \$2,094,000 and \$1,417,000 for 1996 and 1995, respectively, received from unconsolidated affiliates for administrative and facilities costs and services.

Minority Allocation of Operating Loss

Minority allocation of operating loss decreased 82% from \$2,664,000 to \$487,000. The decrease is mainly attributable to two factors:

(1) Lanxide K.K. recorded a \$4,447,000 operating loss improvement of which 35%, or \$1,556,000, was allocated to the minority owner.

(2) Due to the June 1995 decrease in the Company's ownership in LAC to 27%, LAC was not consolidated into the Company's operations from July 1995 through June 1996. In fiscal year 1995, \$782,000 in operating loss was allocated to LAC's minority owner.

Equity in Net Loss of Unconsolidated Affiliates

The equity in net loss of unconsolidated affiliates decreased \$1,547,000 from \$2,532,000 to \$985,000. This decrease was mainly due to consolidation of LEC and deconsolidation of LAC for the period July 1995 to June 1996. Also, the 1995 period included significant costs associated with the start up of the Celanx K.K. commercialization venture as well as a \$428,000 charge associated with the cost of acquired licensing rights from LEC.

Interest Expense

Interest expense decreased 12%, from \$2,067,000 to \$1,811,000, compared to the prior period. This decrease was principally attributable to the prepayment of the \$4,100,000 mortgage associated with the sale of the Marrows Road facility in March 1996. The decrease was partially offset by the draw-down of the remaining \$6,000,000 of the \$10,000,000 Kanematsu line of credit during the first half of fiscal year 1995.

Gain on Sale of Subsidiaries

The \$7,513,000 gain on the sale of subsidiaries for the period ended September 30, 1996, reflects the gain of \$6,388,000 on the sale of a DuPont commercial joint venture as previously described, as well as a \$1,125,000 gain on the sale of LPI.

Loss on Sale of Assets of Subsidiary

The loss of \$3,058,000 recorded in the period ended September 30, 1995, is a result of the sale of substantially all of the assets of Alanx Products, Inc., a wholly-owned subsidiary of the Company, to Alanx Wear Solutions.

Other Income

Other income decreased \$280,000 from \$1,011,000 to \$731,000 compared to the prior period. The difference represents the amortization of a deferred gain in 1995 associated with the 1994 sale by Lanxide K.K. of a 50% interest in a wholly-owned subsidiary. The recognition ended in 1996 when the remaining 50% was sold and the venture was converted into a licensing arrangement.

Income Tax Expense

In 1996, the \$159,000 in income tax expense reflects taxes of \$80,000 withheld on foreign source income and federal income tax of \$79,000. Although the Company has substantial net operating loss carryforwards, the amount of carryforwards which are able to be utilized in any one year are limited by the alternative minimum tax (AMT). Any tax paid under the AMT constitutes a future tax credit and can be carried forward indefinitely to offset federal tax after the Company has utilized all available net operating loss carryforwards. The net operating loss carryforwards expire in varying amounts through the year 2010.

Liquidity and Capital Resources

Since its inception, the Company has financed its working capital and capital expenditure requirements with the proceeds from the sale of stock, borrowings, product sales, research and development contracts and, more recently, technology licensing revenues. The Company had working capital of \$4,367,000 at September 30, 1996, as compared to \$672,000 at September 30, 1995. The consolidated cash balance at September 30, 1996 was \$3,458,000 (including \$2,167,000 held by a subsidiary company which is unavailable to the Company for general corporate purposes). See Note 1 to the Company's Consolidated Financial Statements included in this 10-KSB.

At September 30, 1996, the Company had no significant commitments to purchase capital equipment. However, the Company has a \$99,000 obligation on previously purchased capital equipment that contains payment terms of approximately \$33,000 per quarter.

During fiscal 1996, the Company completed two significant financing transactions:

(1) On November 14, 1995, the Company completed its recapitalization plan. Pursuant to that plan, stockholders subscribed for 850,117 shares of the Company's Common Stock at \$4.50 per share, providing aggregate gross proceeds of \$3,800,000.

(2) On March 28, 1996, the Company consummated the sale and leaseback of its facility located on Marrows Road. This transaction generated \$3,300,000 after prepayment of a \$4,100,000 mortgage on the facility and payment of associated fees and closing costs. Concurrent with the sale, the Company entered into a noncancelable twenty-year operating lease with the Buyer with renewal options for another 20 years. The lease terms require prepaid quarterly payments of \$244,000 with inflation adjustments every five years.

In March 1995, the Company implemented a licensing strategy and has since signed five technology licensing agreements which provide funds for the continuing operations of the Company. Although Waupaca has subsequently declined to exercise its right to renew its license beyond March 31, 1997, the other license agreements form a financial base to cover a portion of the Company's operating expenses in 1997 and beyond. License agreements which are in place but some of which are subject to cancellation by the licensee have provided and will provide the following funds in addition to various royalty provisions:

	License Agreements				
	(Dollars in millions)				
	1995	1996	1997	1998	1999
	----	----	----	----	----
A.P. Green	-	0.8	0.6	0.5	-
Brembo	-	0.8	0.8	0.4	0.3
Sturm Ruger	1.0	-	-	-	-
AKN	-	-	7.0	1.0	-

Of the \$8.0 million to be received under the AKN license, \$4.0 million will be paid directly to Lanxide K.K. and is expected to be used by that subsidiary in the conduct of its business. Additionally, the Waupaca license provided \$2.0 million in each of 1996 and 1995.

The Company has been engaged in discussions with a number of industrial entities in the United States, Europe and Asia regarding the potential licensing of the Company's technology to such entities for up-front fees and ongoing royalty payments. These discussions include the potential licensing of automotive brake components in North America that was previously held by Waupaca. However, no assurance can be given that any of these discussions will lead to the licensing of the Company's technology to any of these entities.

In addition to funding its own operations, the Company has funding responsibility for its wholly-owned subsidiaries, LEC, LAP and Lanxide Performance Materials, Inc (LPM). The Company anticipates the funding requirements for these commercial ventures to be approximately \$2,500,000 over the next year.

The Company has a \$6,000,000 revolving credit and term note with PNC Bank, Delaware, guaranteed by DuPont, under which all available amounts have been drawn. The note bears interest at the prime rate and is payable in installments beginning in March 1997 and maturing in March 2000. The Company also has a \$10,000,000 secured revolving credit and time note with Kanematsu under which all available amounts have been drawn. This note bears interest at 2% above LIBOR and matures in full in December 1998. As of September 30, 1996, LPM has drawn \$1.0 million of a \$1.5 million line of credit the terms of which are described in greater detail below (see The Merger). Principal payments due on the outstanding indebtedness are as follows:

Fiscal Year Ended -----	Principal Payments -----
	(Dollars in thousands)
1997	\$ 1,273
1998	2,000
1999	12,100
2000	1,600

Total	\$ 16,973
	=====

No assurance can be given that the Company will be able to make these payments when they become due.

The terms of the agreements relating to (i) the loan from Kanematsu and (ii) the lease with QRS 12-16, Inc. as Landlord for the Marrows Road facility currently prohibit the Company from incurring additional indebtedness other than in connection with the operation of its subsidiaries.

The Merger

On November 13, 1996, the Company executed the Merger Agreement under which the Company would become a wholly-owned subsidiary of Commodore and the Company's shareholders would become Commodore shareholders. See Note 14 to the Company's Consolidated Financial Statements included in this Form 10-KSB. Consummation of the Merger is conditioned upon several events including a public offering of Commodore simultaneous with the Merger with gross proceeds of at least \$50.0 million and approval of a majority of the shareholders of both companies. The Company and Commodore have targeted completion of the Merger by March 1997.

In August 1996, in order to provide the Company with temporary liquidity by freeing up working capital which the Company had tied up in one of its subsidiaries, Lanxide Performance Materials, Inc. (LPM), Commodore Applied Technologies (Applied), a subsidiary of Commodore, extended a \$1,500,000 line of credit to LPM. The line of credit is guaranteed by the Company and secured by the assets of LPM, excluding its proprietary technology. The principal balance outstanding will be due on the earlier of completion of the Merger or February 28, 1998 and bears interest at Citibank N.A.'s prime rate of interest. As additional consideration for the line of credit, the Company, through its affiliate, Lanxide Technology Company L.P., granted to Applied an exclusive worldwide (other than Japan) license for the use of Lanxide technology in process reactor vessels for decontamination, remediation, neutralization, separation and destruction of (i) soils and substrates contaminated with PCBs and other halogenated substances, (ii) PCBs and other halogenated substances in their unmixed form, (iii) other materials and substances subjected to Applied's SET process, (iv) low level nuclear waste, radionuclides and other radioactive matter, and (v) ordnance, chemical weapons and related materials.

In September 1996, Commodore also agreed to provide LPM a line of credit to be funded at the request of LPM between November 1996 and March 1997 to fund working capital deficiencies of LPM on a temporary basis in an amount not to exceed \$3,000,000. Commodore's obligation to lend such funds to LPM is subject to a number of conditions, including review by Commodore of the proposed use of such funds by LPM. Such line of credit matures on the earlier of February 28, 1998, or termination of the Merger solely as a result of either (i) the failure or refusal of the Company to comply with its various covenants and agreements contained in the Merger Agreement, or (ii) the Company's unsolicited receipt of a preemptive offer from an unaffiliated third party to purchase all or substantially all of the assets or securities of the Company which the Company's Board of Directors, in the exercise of their fiduciary duties to the Company's stockholders, elects to accept. This financing availability, together with the anticipated support from the Company's licensing activity, should be sufficient to meet the capital needs of the Company through March 1997. In the event that the Merger is not consummated by that time, the Company may be required to seek alternative financing arrangements to fund its liquidity needs. There can be no assurance, however, that the Company will be successful in entering into any requisite financing arrangements or that such arrangements would meet the Company's needs. Further there can be no assurance that the Merger will be consummated in March 1997 or at all.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Accountants

To the Board of Directors and Shareholders
Lanxide Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of shareholders' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of Lanxide Corporation and its majority-owned affiliates at September 30, 1996 and 1995, and the results of their operations and their cash flows for each of the two years in the period ended September 30, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 1 to the financial statements, the Company's principal business activities are research, development and commercialization of its proprietary technology. The Company's significant continuing investment in product development and commercialization activities has resulted in recurring losses from operations and the resultant shareholders' deficit. Furthermore, the Company needs significant additional financing to fund its ongoing business operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

PRICE WATERHOUSE LLP

Philadelphia, Pennsylvania
December 20, 1996

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LANXIDE CORPORATION
CONSOLIDATED BALANCE SHEET
(Dollars in thousands, except per share data)

	September 30,	
	1996	1995
	-----	-----
Assets	<C>	<C>
<S>		
Cash and cash equivalents, including amounts restricted for use by majority-owned affiliates (Note 1)	\$ 3,458	\$ 5,212
Accounts receivable - Trade	3,065	1,331
Other receivable (Note 2)		1,250
Inventories	1,942	1,475
Other current assets	456	150
	-----	-----
Total current assets	8,921	9,418
Property and equipment, net (Note 3)	10,408	14,837
Investment in affiliates	377	2,499
Other assets	454	1,266
	-----	-----
	\$ 20,160	\$ 28,020
	=====	=====
Liabilities and Shareholders' Equity (Deficit)		
Current portion of long-term debt (Note 8)	\$ 1,273	\$ 904
Accounts payable and accrued expenses	2,867	3,102
Deferred revenue	414	3,810
Payable to affiliate		930
	-----	-----
Total current liabilities	4,554	8,746
Long-term debt (Note 8)	15,700	19,803
Deferred credit (Note 1)	354	3,465
Deferred compensation	1,230	1,097
	-----	-----
	21,838	33,111
	-----	-----
Minority interest in consolidated affiliates, including Redeemable Preferred Stock issued by affiliates (Note 2)	6,005	8,290
Commitments and contingencies (Note 13)		
Redeemable Series C preferred stock (aggregate liquidation value, \$1,459); 145,900 shares issued and outstanding (Note 10)		1,459
Redeemable Series E preferred stock (aggregate liquidation value, \$261); 26,100 shares issued and outstanding (Note 10)	213	
	-----	-----
Shareholders' equity (deficit) (Note 10)		
Old preferred Stock 10,000,000 shares authorized		
Series A preferred stock (aggregate liquidation value, \$30,000) \$.01 par value; 3,000,000 shares issued and outstanding		30
Series B preferred stock (aggregate liquidation value, \$433) \$.01 par value; 4,325,507 shares issued and outstanding		43
Old Common stock \$.01 par value, 50,000,000 shares authorized: 10,580,444 issued and outstanding		106
Preferred stock 15,000,000 shares authorized		
Series A preferred stock (aggregate liquidation value, \$88,733) \$.01 par value; 1,109,161 shares issued and outstanding	11	
Common stock, \$.01 par value, 25,000,000 shares authorized: 1,325,595 issued and outstanding	13	
Additional paid-in capital	188,480	182,739
Accumulated deficit	(197,626)	(199,153)
Cumulative translation adjustment	1,226	1,395
	-----	-----
Shareholders' equity (deficit)	(7,896)	(14,840)
	-----	-----
	\$ 20,160	\$ 28,020
	=====	=====

The accompanying notes are an integral part of these financial statements.

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LANXIDE CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS
(Amounts in thousands, except per-share data)

Year Ended September 30,
1996 1995
----- -----

<S>	<C>	<C>
Revenue:		
Sales (Note 6)	\$ 6,464	\$ 9,393
Licensing revenue	6,630	2,000
Research and development contract revenue (Note 7)	5,515	6,130
	-----	-----
	18,609	17,523
Operating costs:	-----	-----
Cost of sales	5,706	8,975
Research and development contract costs	3,737	5,313
Research and development	6,239	8,101
Selling, general and administration (Note 7)	7,130	13,869
	-----	-----
	22,812	36,258
Loss from operations before minority allocation	(4,203)	(18,735)
Minority allocation of operating loss (Note 1)	487	2,664
	-----	-----
Loss from operations	(3,716)	(16,071)
Equity in net loss of unconsolidated affiliates	(985)	(2,532)
Interest expense	(1,811)	(2,067)
Gain on sale of subsidiaries (Note 2)	7,513	
Loss on sale of assets of subsidiary (Note 2)		(3,058)
Other income	731	1,011
	-----	-----
Income (loss) before income taxes	1,732	(22,717)
Income tax expense	159	
	-----	-----
Net income (loss)	1,573	(22,717)
Dividends on mandatorily redeemable preferred stock	(45)	(19)
	-----	-----
Net income (loss) applicable to common shares	\$ 1,528	\$ (22,736)
	=====	=====
Historical income (loss) per share		
Primary	\$ 0.34	\$ (2.18)
Fully diluted	\$ 0.29	\$ (2.18)
Proforma income per share		
Primary	\$ 0.77	
Fully diluted	\$ 0.77	
Historical average common shares outstanding		
Primary	4,517	10,443
Fully diluted	5,328	10,443
Proforma average common shares outstanding		
Primary	1,986	
Fully diluted	1,986	

The accompanying notes are an integral part of these financial statements.

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LANXIDE CORPORATION
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIT)
(Dollars in thousands, except per share data)

	Series A		Series B		Common Stock	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, September 30, 1994	3,000,000	\$ 30	4,325,507	\$ 43	10,276,076	\$ 104
Exercise of stock options					15,200	
Deferred compensation amortization						
Exchange of Common Stock (see Note 2)					110,962	1
Effect of Lanxide Armor deconsolidation (see Note 2)					50,000	
Issuance of stock to Hercules (see Note 2)					128,206	1
Cancellation of preferred stock subscriptions receivable						
Translation adjustment						
Net loss						
	-----	-----	-----	-----	-----	-----

Balance, September 30, 1995	3,000,000	30	4,325,507	43	10,580,444	106
Conversion of Old Common Stock, Old Series A Preferred Stock and Old Series B Preferred Stock into New Series A Preferred Stock (see Note 10)	(1,888,339)	(19)	(4,325,507)	(43)	(10,580,444)	(106)
Issuance of Common Stock (see Note 10)					862,417	9
Conversion of Series C Preferred Stock into Common Stock (see Note 10)					331,679	3
Issuance of Common Stock Warrants (See Note 10 and 13)						
Exercise of Series C Warrants (see Note 10)					133,333	1
Effect of Lanxide Armor consolidation (See Note 2)	(2,500)				(1,834)	
Translation adjustment						
Net Income						
Preferred Stock Dividends (see Note 10)						
Balance, September 30, 1996	1,109,161	\$ 11	0	\$ 0	1,325,595	\$ 13

The accompanying notes are an integral part of these financial statements.

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LANXIDE CORPORATION
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIT)
(Dollars in thousands, except per share data)

	Additional paid-in capital	Accumulated deficit	Preferred stock subscriptions receivable	Unamortized compensation	Cumulative translation adjustment
<S>	<C>	<C>	<C>	<C>	<C>
Balance, September 30, 1994	\$ 182,000	\$ (176,436)	\$ (60)	\$ (103)	\$ 1,383
Exercise of stock options					
Deferred compensation amortization				103	
Exchange of Common Stock (see Note 2)	450				
Effect of Lanxide Armor deconsolidation (see Note 2)	350				
Issuance of stock to Hercules (see Note 2)	(1)				
Cancellation of preferred stock subscriptions receivable	(60)		60		
Translation adjustment					12
Net loss		(22,717)			
Balance, September 30, 1995	182,739	(199,153)	0	0	1,395
Conversion of Old Common Stock, Old Series A Preferred Stock and Old Series B Preferred Stock into New Series A Preferred Stock (see Note 10)	168				
Issuance of Common Stock (see Note 10)	3,237				
Conversion of Series C Preferred Stock into Common Stock (see Note 10)	1,490				
Issuance of Common Stock Warrants (See Note 10 and 13)	260				
Exercise of Series C Warrants (see Note 10)	599				
Effect of Lanxide Armor consolidation (See Note 2)	(13)				
Translation adjustment					(169)
Net Income		1,573			
Preferred Stock Dividends (see Note 10)		(46)			
Balance, September 30, 1996	\$ 188,480	\$ (197,626)	\$ 0	\$ 0	\$ 1,226

The accompanying notes are an integral part of these financial statements.

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LANXIDE CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)

	Year Ended September 30,	
	1996	1995
<S>	<C>	<C>

Cash flows from operating activities:		
Net income (loss)	\$ 1,573	\$ (22,717)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	1,627	2,488
Minority allocation of operating loss and equity in net loss of unconsolidated affiliates	498	(132)
Gain on sale of subsidiaries	(7,513)	
Loss on sale of assets of subsidiary		3,058
Changes in assets and liabilities, net of effects of acquisitions and changes in consolidated affiliates:		
(Increase) decrease in receivables	(1,442)	1,793
Decrease (increase) in inventories	2	(1,962)
Decrease (increase) in other assets	701	(623)
(Decrease) increase in accounts payable and accrued expenses	(1,552)	1,821
(Decrease) increase in deferred revenue and deferred credit	(5,188)	1,036
Increase in other liabilities	116	96
	-----	-----
Net cash used in operating activities	(11,178)	(15,142)
	-----	-----
Cash flows from investing activities:		
Capital additions	(671)	(4,114)
Proceeds from sale of property and equipment	7,253	
Investment in unconsolidated affiliate		(1,600)
Proceeds from sale of investment in unconsolidated affiliate	1,250	750
Cash effect related to change in ownership of affiliates	864	542
	-----	-----
Net cash provided by (used in) investing activities	8,696	(4,422)
	-----	-----
Cash flows from financing activities:		
Issuance of common stock	3,812	
Proceeds from preferred stock, net	331	1,459
Retirement of preferred stock	(70)	
Preferred stock dividends paid	(1)	
Capital contributions to consolidated affiliates by commercial venture partners		4,841
Proceeds from issuance of debt obligations	1,257	8,423
Repayment of debt obligations	(4,341)	(1,412)
	-----	-----
Net cash provided by financing activities	988	13,311
	-----	-----
Effect of exchange rate translations	(260)	12
	-----	-----
Net decrease	(1,754)	(6,241)
	-----	-----
Cash and cash equivalents, beginning of period	5,212	11,453
	-----	-----
Cash and cash equivalents, end of period	\$ 3,458	\$ 5,212
	=====	=====
Cash paid for interest	\$ 1,731	\$ 1,919

See notes 2 and 8 for noncash financing activities.

The accompanying notes are an integral part of these financial statements.

</TABLE>

LANXIDE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND BUSINESS,
SIGNIFICANT ACCOUNTING POLICIES
AND LIQUIDITY:

Organization and business:

Lanxide Corporation (the Company) is engaged in the research, development and commercialization of a new class of proprietary materials called LANXIDE (TM) reinforced ceramics and metals and CERASET (TM) ceramers (collectively LANXIDE (TM) technology). The Company develops and commercializes LANXIDE (TM) technology using its own resources as well as the resources of a select number of industrial and financial partners through the formation of commercial ventures. In 1995, the Company began receiving fees for licensing its technology in certain specific market sectors by product and geography.

During 1996 and 1995, the Company's ownership interest in certain commercial ventures changed, resulting in differences in the composition of the Company between years (see Note 2).

Significant accounting policies:

Consolidation - The consolidated financial statements include the accounts of the Company and its majority-owned affiliates. Transactions with majority-owned affiliates are eliminated in consolidation.

Investment in affiliates - consists of the Company's investment in affiliates which are less than or equal to fifty percent owned. The equity method of accounting is used for affiliates for which ownership is between twenty and fifty percent. Affiliates for which ownership is less than twenty percent are recorded at cost.

Minority allocation of operating loss - Operating losses funded by minority owners (see Note 2) of the Company's consolidated affiliates are allocated to such owners, pursuant to certain agreements between the Company and its commercial venture partners.

Inventories - Inventories are valued at the lower of cost (primarily average cost) or market and consist of the following:

	(Dollars in thousands)	
	1996	1995
Raw materials and supplies	\$ 1,046	\$ 581
Work in process	817	754
Finished goods	79	140
	-----	-----
	\$ 1,942	\$ 1,475
	=====	=====

Property and equipment - Property and equipment are carried at cost, and depreciation is computed using the straight-line method over estimated useful asset lives. Maintenance and repair costs are expensed as incurred; significant renewals and betterments are capitalized.

Sales and research and development contract revenue recognition - Sales are recognized as products are shipped and, for certain other contracts, using the percentage-of-completion method of accounting. Certain sales include charges to customers for materials, process and prototype development, and applications engineering required to fulfill product specifications. Research and development contract revenue is recognized as services are provided.

Licensing revenue - Represents amounts earned by the Company from licensing its technology by product and geographic area and is recognized as revenue when the Company fulfills its obligation under the applicable license agreement.

Deferred credit - The deferred credit at September 30, 1996, consists of the deferred gain on the sale and subsequent leaseback of the Marrows Road facility (see Note 3). The deferred credit at September 30, 1995, consists of the deferred gain on the sale by Lanxide K.K. of a 50% interest in Celanx K.K. (see Note 2 - Transactions with Nihon Cement).

Research and development - Research and development costs are expensed as incurred.

Translation of foreign currency - The financial position and results of operations of Lanxide K.K., the Company's majority-owned Japanese affiliate, are measured using Japanese yen as the functional currency. Revenues and expenses of such affiliate have been translated at the average exchange rate. Assets and liabilities have been translated at the year-end rate of exchange. Translation gains and losses are being deferred as a separate component of shareholders' equity.

Cash and cash equivalents - Included in the cash balances at September 30, 1996 and 1995 are \$2.2 and \$4.8 million, respectively, held by subsidiary company(s) which amounts are not available to the Company. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. Cash equivalents of \$2.2 million and \$4.5 million at September 30, 1996, and 1995, respectively, were held and invested on a short-term basis by a finance subsidiary of Kanematsu on behalf of Lanxide K.K. (see Note 2). A significant portion of Lanxide K.K.'s operations consists of product development and engineering services performed by the Company, which amounted to approximately \$0.7 million and \$1.7 million during fiscal years 1996 and 1995, respectively.

Earnings per share - Historical net income (loss) per share is computed using the weighted average number of common shares and potentially dilutive securities outstanding during the period. On November 14, 1995, the Company completed its Recapitalization Plan (see Note 10) and the number of common shares outstanding was significantly reduced. Accordingly, the computation of historical weighted average common shares outstanding reflects this recapitalization.

circumstances, that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from estimates.

NOTE 2 - TRANSACTIONS WITH COMMERCIAL
VENTURE PARTNERS:

Transactions with DuPont:

The Company was a party to three commercial venture agreements with E. I. DuPont de Nemours & Company (DuPont) to develop and commercialize four product areas.

In the first venture, the development and commercialization of armor products was conducted through Lanxide Armor Company, L.P. (LAC), a limited partnership in which Lanxide Armor Products, Inc. (LAP), a wholly-owned subsidiary, was the managing partner and had an initial 60% interest. All funding requirements in excess of initial capital contributions as contemplated in the agreements were determined annually and were generally funded based upon each partner's percentage interest. If a partner funded less than the amount required based upon its ownership interest, the partner's respective interest in the partnership was reduced in accordance with the terms of the agreements. Prior to June 30, 1995, the Company had funded less than the required amount and its ownership percentage was reduced to 57%. On June 30, 1995, the Company sold a 30% equity interest in LAC to DuPont which reduced its ownership percentage to 27%; however, on June 28, 1996, the Company purchased DuPont's entire interest in the venture and now owns 100% of this business. As a result of these transactions, the financial results of this venture are included in the consolidated financial statements effective June 28, 1996.

The second venture arrangement with DuPont, DuPont Lanxide Composites, L.P. (DLC), was formed for the purpose of developing and commercializing heat exchangers, turbine engine components and certain aerospace components. In exchange for a 70% ownership interest, DuPont agreed to fund the venture up to specified amounts. In June 1993, the Company and DuPont amended the DLC venture arrangement whereby the Company expanded the license to include rocket engine components, and DuPont contributed all of its ceramic matrix composite business including its manufacturing facility to the venture. DuPont also agreed to provide solely for DLC's funding requirements through December 31, 1999, and the Company agreed to recognize DuPont as having fulfilled its prior funding commitments. Concurrent with the purchase of LAC on June 28, 1996, the Company sold a 20% interest in DLC to DuPont, reducing its ownership to 10%. The Company now accounts for DLC under the cost method of accounting.

In April 1990, Lanxide Electronic Components (LEC) became the third commercial venture with DuPont formed to develop and commercialize microelectronic products. For a 50% ownership interest, DuPont initially agreed to contribute to the venture up to an aggregate of \$35.0 million of which \$20.0 million was to fund capital assets and working capital and \$15.0 million to fund operating costs. In April 1994, a revised agreement was signed and DuPont's funding obligation was reduced to amounts funded at the time of the revised agreement (\$18.5 million) plus up to an additional \$1.5 million in equipment and working capital requirements. The Company's funding obligation under the revised agreement was limited to \$1.5 million in operating losses excluding depreciation. Concurrent with the sale of LAC on June 30, 1995, the Company purchased an additional 30% interest in LEC from DuPont raising its ownership percentage to 80%.

As part of the June 1996 purchase of LAC and the sale of certain ownership interests in DLC mentioned previously, the Company also purchased the remaining 20% of LEC from DuPont. The Company now owns 100% of the Common Stock of LEC, while DuPont owns 100% of the Preferred Stock. The Company recognized in 1996 a net gain of \$6.4 million on these changes in ownership interests associated with the three DuPont ventures.

See Note 7 for related party disclosures.

Transactions with Kanematsu:

In May 1992, the Company and Kanematsu Corporation (Kanematsu) entered into an agreement to commercialize products of Lanxide technology in Japan by the formation of a commercial venture, Lanxide K.K.

Lanxide K.K. is owned 65% by the Company and 35% by Kanematsu and has been granted an exclusive license to make, use, and sell products in Japan (other than products currently licensed on a worldwide basis to existing commercial ventures with DuPont), using LANXIDE (TM) technology. Funding for the venture in the amount of \$20.0 million was provided by the Company and Kanematsu in proportion to their respective interests in the venture. Concurrent with the commercial venture agreement, Kanematsu agreed to purchase 943,750 shares of common stock of the Company for \$13.0 million, such proceeds to be utilized

by the Company to satisfy its funding commitment to Lanxide K.K. A significant portion of Lanxide K.K.'s operations consists of product development and engineering services provided by Lanxide. Kanematsu may exchange all, but not less than all, of its interest in Lanxide K.K. for additional shares of the Company's Common Stock for five years from the formation date of Lanxide K.K.

All shares of the Company's stock purchased by Kanematsu are held in a voting trust. The trustee of the voting trust is a member of the Company's management. Also, the Company agreed to pay a 5% commission on this \$20.0 million transaction, payable when Kanematsu purchased the stock and made its contribution to Lanxide K.K.

In April 1994, Kanematsu agreed to provide the Company with a \$10.0 million line of credit (see Note 8). Concurrent with Kanematsu providing the line of credit, the Company and Kanematsu agreed to revise the sharing of any royalties paid by Lanxide K.K., with Kanematsu receiving a larger percentage than previously agreed upon. The agreement also provides that Lanxide K.K. will purchase its raw materials from the Company.

Transactions with Nihon Cement:

On November 30, 1993, Nihon Cement Co., Ltd. (Nihon) purchased 500,000 shares of Redeemable Convertible Preferred Stock in Alanx Products Inc. (Alanx) for \$4.0 million. Nihon had the option to convert the preferred stock into common stock at any time prior to the first anniversary, November 30, 1994. Nihon elected not to convert and Alanx is obligated to redeem the preferred stock at the purchase price plus accrued but unpaid dividends ratably over a five year period beginning in November 1999. The cumulative dividends accrue at a rate of 6% per annum. The preferred stock is classified as a minority interest in the accompanying consolidated balance sheet. In connection with the AKN licensing agreement, the preferred stock will be redeemed in fiscal 1997 (see Note 14).

In January 1994, Lanxide K.K. formed a subsidiary, Celanx K.K., and contributed \$3.6 million and a license to manufacture, market and sell wear and precision products in Japan. Subsequently, Lanxide K.K. sold 50% of its ownership in Celanx K.K. to Nihon in exchange for \$5.7 million. Because Celanx K.K. was a development stage enterprise and Lanxide K.K. was committed to fund Celanx K.K. during the development period, the gain associated with the above transaction was deferred to be amortized over a 10 year period, or earlier upon completion of the development stage.

On March 28, 1996, Lanxide K.K. sold its remaining 50% ownership interest in Celanx K.K. to Nihon effectively giving Nihon sole ownership of the license to manufacture, market and sell precision instruments in Japan. As consideration for the sale of its interest in Celanx K.K., Lanxide K.K. will receive ongoing royalties from precision instrument sales generated by Nihon. Concurrent with this sale, Lanxide K.K. reacquired its wear products license from Celanx K.K. As a result of this transaction, Lanxide K.K. recognized the remaining \$2.8 million deferred gain (net of its investment in Celanx K.K.) associated with the above 1994 sale, of which \$2.1 million is recorded as license revenue.

In April 1994, the Company and Nihon entered into a two year agreement to develop brake components for sale in Japan using LANXIDE (TM) technology. Nihon and the Company have funded \$3.0 and \$1.0 million, respectively, of development costs under this agreement (see Note 14 - License Agreement with AKN Corporation).

Sale of Assets of Alanx Products, Inc.:

In June 1995, Alanx Products, Inc. (Alanx) sold substantially all of its assets to Alanx Wear Solutions (the Buyer). The Buyer assumed \$.9 million of the liabilities of Alanx, but did not assume the \$4.0 million of redeemable preferred stock issued to Nihon. Alanx received an initial 15% common stock interest in the Buyer and a royalty bearing license on sales. The Company will continue to own 100% of the common stock of Alanx. Alanx recorded a loss of \$3.1 million on this transaction. Concurrent with the above sale, Alanx changed its name to P.A. Holdings, Inc. and has since been renamed Lanxide Wear Products, Inc. (Lanxide Wear). Lanxide Wear subsequently declined its preemptive right to purchase shares of preferred stock upon issuance; therefore, its interest in the Buyer has been diluted to 10%.

Sale of Lanxide Precision, Inc.:

On December 22, 1994, a group of investors led by Argentum Capital Partners, LP. (the Investors) purchased 1,000 shares of Class A 5% Redeemable Convertible Preferred Stock for \$1.0 million from Lanxide Precision, Inc. (LPI), a wholly-owned subsidiary of the Company. At any time, the Investors could have converted the preferred stock into shares of common stock of LPI at an initial conversion rate of five common shares for each preferred share. Upon the occurrence of certain events, the conversion rate could have been adjusted. In addition, each share of preferred stock was to be automatically

converted into common stock in the event of a public offering. The Investors also loaned LPI \$1.0 million through 10% Convertible Notes with interest payable quarterly in arrears.

On May 26, 1995, the Company sold for \$2.0 million all of its stock ownership in LPI to LNX Acquisition Company (LNX), which is controlled by two of the Company's Board Members. The purchase price included a \$.8 million cash payment on the date of sale and a non-recourse note of \$1.2 million secured by the stock of LPI. The note carried an interest rate equal to the 30-day Treasury bill rate plus 1.0% and matured on June 4, 1996. The sale converted the existing license agreement with LPI to a royalty bearing license on sales of composite materials and components. The gain on the sale of \$1.1 million was deferred in fiscal 1995 due to i) the non-recourse nature of the \$1.2 million note and ii) the Company remained contingently liable as guarantor for LPI's \$1.0 million line of credit until August 15, 1996. The gain was subsequently recognized in fiscal 1996 upon receipt of the note payment and removal of the Company as guarantor.

Lanxide Sports International:

In May 1993, the Company entered into an agreement to commercialize opportunities within the sporting goods field by the formation of a commercial venture, Lanxide Sports International (LSI). The venture raised \$1.2 million for initial capitalization through a private placement of equity. In exchange for a 50% ownership in LSI, the Company contributed a perpetual and exclusive license to use LANXIDE TM technology for the manufacture and marketing of sports equipment outside Japan. In April 1994, the Company increased its ownership in LSI to 61% through the purchase of additional shares of stock for approximately \$.5 million.

In February 1995, the Company acquired the remaining 39% interest in LSI in exchange for 110,962 shares of common stock. Subsequently, during the second quarter of fiscal 1995, the Company discontinued the operations of LSI.

Lanxide Surgical Devices Company:

In January 1994, the Company and Cerametics Surgical, Inc. (Cerametics) entered into an agreement to manufacture laproscopic and surgical instruments using LANXIDE (TM) technology through the formation of a commercial venture, Lanxide Surgical Devices Company (LSDC). The Company contributed a license to use its proprietary technology for the manufacture and marketing of surgical instruments outside of Japan for a 55% ownership interest and Cerametics agreed to contribute \$4.0 million over a two year period for a 45% ownership interest. Cerametics did not make the \$.5 million capital contribution due in 1994, which resulted in a reduction of its ownership interest to 39% as of September 30, 1994. In fiscal 1995, Cerametics' ownership percentage was further reduced to 29% when it failed to make a required \$1.0 million capital contribution.

During the second quarter of fiscal year 1995, the Company discontinued the operations of Lanxide Surgical Devices Company.

Transaction with Hercules:

In March 1993, the Company purchased certain ceramic and ceramic composite technologies from Hercules Incorporated for 384,616 shares of its common stock valued at \$5.0 million. Of this amount, \$.3 million was assigned to the value of equipment acquired. Approximately \$4.7 million was allocated to in-process research and development and immediately expensed in the Company's 1993 statement of operations. Under the agreement, the Company issued these shares over a three year period. The purchase price in excess of the issued stock's par value is recorded as paid-in capital. As additional shares were issued, par value and paid in capital were adjusted accordingly.

Lanxide ThermoComposites, Inc.:

On December 13, 1995, the Company sold 51% of its stock ownership in a wholly-owned subsidiary, Lanxide ThermoComposites, Inc. (Lanxide Thermo), to A.P. Green Industries, Inc. (A.P. Green). In consideration for its interest in Lanxide Thermo, A.P. Green agreed to fund the venture's ongoing cash requirements. Concurrent with A.P. Green's acquisition, Lanxide Thermo acquired Chiam Technologies, Inc. in exchange for a 20% common stock interest in Lanxide Thermo. Lanxide Thermo was formed in 1994 to commercialize high performance refractory products for the continuous casting segment in the steel industry.

Unaudited Proforma Results of Operations for the Year Ended September 30, 1996:

The following summarizes the condensed proforma results of operations of the Company to give effect to; the purchase of DuPont's interests in LAC and LEC on June 28, 1996, as if they had occurred on October 1, 1995. The gain associated with the sale of subsidiaries has been eliminated for proforma purposes.

<TABLE>
<CAPTION>

(Amounts in thousands except per share data)

<S>	<C>
Revenue	\$ 22,420
Loss from operations	\$ (5,804)
Net loss	\$ (7,676)
Historical loss per share	\$ (3.20)
Proforma loss per share	\$ (6.26)
Historical average number of common shares outstanding	2,397
Proforma average number of common shares outstanding	1,227

</TABLE>

The proforma loss per share and the proforma average number of common shares outstanding reflect the Company's recapitalization that occurred on November 14, 1995 as if the recapitalization had taken place on October 1, 1995. All potential dilutive securities have an antidilutive effect on the loss per share and, therefore, have not been used in determining the total historical or proforma average number of common shares outstanding.

<TABLE>
<CAPTION>

NOTE 3 - PROPERTY AND EQUIPMENT:

<S>	(Dollars in thousands)		Estimated useful lives
	September 30,		
	1996	1995	
	----	----	-----
<S>	<C>	<C>	<C>
Land (See Note 13)		\$ 864	
Building and improvements (See Note 13)		8,321	25 Years
Leasehold improvements	\$ 3,767	2,273	10-12 Years
Machinery and equipment	19,493	17,144	5-10 Years
Furniture and fixtures	623	616	10 Years
	-----	-----	
	23,883	29,218	
Less - Accumulated depreciation and amortization	(13,475)	(14,381)	
	-----	-----	
	\$ 10,408	\$ 14,837	
	=====	=====	

</TABLE>

NOTE 4 - ACCOUNTS PAYABLE AND
ACCRUED EXPENSES:

	(Dollars in thousands)	
	September 30,	
	1996	1995
	----	----
Accounts payable	\$ 1,367	\$ 2,462
Patent-related expense	78	65
Compensation-related costs	751	355
Other	671	220
	-----	-----
	\$ 2,867	\$ 3,102
	=====	=====

NOTE 5 - INCOME TAXES:

The Company has adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Deferred income taxes are provided based on the estimated future tax effects of differences between financial statement carrying amounts and the tax bases of existing assets and liabilities. The provision for income taxes results in an effective tax rate which differs from the federal income tax rate as follows:

<TABLE>
<CAPTION>

<S>	(Dollars in thousands)			
	For the Year Ended 9/30/96		For the Year Ended 9/30/95	
	---	---	---	---
	<C>	<C>	<C>	<C>
	\$	%	\$	%
	---	---	---	---
	<C>	<C>	<C>	<C>

Expected tax expense (benefit) at federal statutory rate	589	34	(7,724)	(34)
Excluded foreign subsidiary (income) loss	(23)	(1)	1,124	5
Tax benefit not recognized due to change in valuation allowance			6,600	29
Release of valuation allowance	(566)	(32)		
Foreign tax withheld on foreign source income	80	4		
Alternative Minimum Tax	79	4		

Income tax expense (benefit)	159	9	-	-

</TABLE>

As of September 30, 1996 and 1995, the Company has net deferred tax assets of approximately \$32.0 million and \$34.0 million, respectively, which have been fully reserved through a valuation allowance due to the uncertainty of recoverability. The components of the net deferred income tax asset as of September 30 are as follows:

	(Amounts in thousands)	
	1996	1995
	----	----
Federal Net Operating Loss Carryforwards	16,173	18,570
State Net Operating Loss Carryforwards	5,094	5,720
Capitalized Costs	6,961	5,041
Tax Credit Carryforwards	3,866	3,688
Deferred Revenue	363	1,746
Deferred Compensation	726	681
Other	346	27
	-----	-----
Gross Deferred Tax Asset	33,529	35,473
	-----	-----
Excess of tax over book depreciation	(1,476)	(1,495)
	-----	-----
Gross Deferred Tax Liability	(1,476)	(1,495)
	-----	-----
Net Deferred Tax Asset	32,053	33,978
Valuation Allowance	(32,053)	(33,978)
	-----	-----
Deferred Tax Asset	-0-	-0-

The Company has federal net operating loss carryforwards of approximately \$51.3 million at September 30, 1996 which expire in varying amounts beginning in 1999 through 2010. The Company also has comparable state net operating loss carryforwards. As specified in the Internal Revenue Code, certain ownership changes would result in limitations on the Company's ability to utilize its net operating loss carryforwards. At September 30, 1996, the Company had research and development tax credit carryforwards of approximately \$3.8 million expiring through 2011.

NOTE 6 - SIGNIFICANT CUSTOMERS
AND FOREIGN OPERATIONS:

Significant Customers

During fiscal 1996 and 1995, respectively, 18% and 16% of revenues were derived from the U.S. Government.

Foreign Operations

The following financial data is presented to provide additional information on the Company's foreign operations.

<TABLE>
<CAPTION>

	(Dollars in Thousands)			
	United States	Japan	Adjustments and Eliminations	Consolidated
	-----	-----	-----	-----
Year ended September 30, 1996				
<S>	<C>	<C>	<C>	<C>
Revenue to Unconsolidated Customers	\$ 15,992	\$ 2,617		\$ 18,609
Transfers between geographic areas	953		\$ (953)	
	-----	-----	-----	-----
Total Revenue	\$ 16,945	\$ 2,617	\$ (953)	\$ 18,609
	=====	=====	=====	=====
Net Income	\$ 1,504	\$ 106	\$ (37)	\$ 1,573
	=====	=====	=====	=====
Identifiable Assets at September 30, 1996	\$ 17,399	\$ 2,761	\$	\$ 20,160
	=====	=====	=====	=====

Adjustments
and

	United States	Japan	Eliminations	Consolidated
Year ended September 30, 1995				
Revenue to Unconsolidated Customers	\$ 17,102	\$ 421		\$ 17,523
Transfers between geographic areas	1,677		\$ (1,677)	\$
Total Revenue	\$ 18,779	\$ 421	\$ (1,677)	\$ 17,523
Net Loss	\$ (19,410)	\$ (5,087)	\$ 1,780	\$ (22,717)
Identifiable Assets at September 30, 1995	\$ 21,544	\$ 6,476	\$	\$ 28,020

</TABLE>

NOTE 7 - RELATED PARTY TRANSACTIONS:

The Company performs research and development activities on behalf of its affiliates. Included in research and development contract revenue are \$1.3 million and \$3.3 million for the years ended September 30, 1996, and 1995, respectively, related to revenue from unconsolidated affiliates.

In addition, the Company allocates certain administrative and facility charges to its affiliates. Costs allocated to unconsolidated affiliates are reflected as a reduction of selling, general and administrative expenses and totaled \$2.1 million and \$1.4 million for the years ended September 30, 1996, and 1995, respectively.

<TABLE>
<CAPTION>

NOTE 8 - LONG-TERM DEBT:

	(Dollars in thousands)	
	September 30, 1996	September 30, 1995
<S>	<C>	<C>
Secured bank loan and mortgages related to the Marrows Road facility, interest at 2% above prime (10.75% at September 30, 1995), maturities through 2004 (see Notes 3 and 13)		\$ 4,314
Revolving credit and time note for \$6.0 million available during the period April 1993 through February 1995. Guaranteed by DuPont, interest at prime (8.25% at September 30, 1996), maturities through March 2000	\$ 5,970	5,970
Secured revolving credit and time note with Kanematsu for \$10.0 million available during the period April 1994 through December 1995, interest at 2% above LIBOR rate (7.625% at September 30, 1996), matures in December 1998.	10,000	10,000
Secured revolving credit and demand note with Commodore Applied Technologies, Inc. for \$1.5 million, interest at Citibank prime (8.25% at September 30, 1996) expires June 1997 (see Note 1 and below)	1,000	
Other Short Term Borrowings	3	423
Total debt	16,973	20,707
Less: Current portion	(1,273)	(904)
Long-term debt	15,700	19,803

</TABLE>

Certain debt instruments require the Company to maintain certain financial covenants and prohibit the distribution of dividends without approval from Kanematsu. As of September 30, 1995, the Company would not have been in compliance with the minimum tangible net worth covenant contained in its second mortgage. The covenant was amended such that the Company would not have to meet any minimum tangible net worth requirements until December 31, 1996. In March, 1996, the Company sold the Marrows Road facility and paid off the related mortgage (see Note 13).

The revolving credit and time note with Kanematsu is secured by the Company's holdings of common stock of Lanxide K.K., a lien position on the Company's fixed and current assets, and a residual interest in the cash balances of Lanxide K.K.

If DuPont is required to make payment under the \$6.0 million line of credit, the Company will, in full satisfaction of its obligation: a) transfer all of its interest in LAP and LEC to DuPont, or, alternatively at DuPont's option, b) transfer all of its interest in LAP and DLC to DuPont.

The \$1.5 million line of credit extended to LPM, a wholly-owned subsidiary of the Company, by Applied is secured by the assets of LPM, excluding its

proprietary technology. The line of credit is guaranteed by the Company. The principal balance outstanding will be due on the earlier to occur of completion of the Merger or February 28, 1998. As additional consideration for the line of credit, the Company through its affiliate, Lanxide Technology Company L.P., granted to Applied an exclusive worldwide (other than Japan) license for the use of the Company's technology in process reactor vessels for decontamination, remediation, neutralization, separation and destruction of (i) soils and substrates contaminated with PCBs and other halogenated substances, (ii) PCBs and other halogenated substances in their unmixed form, (iii) other materials and substances subjected to Applied's SET process, (iv) low level nuclear waste, radionuclides and other radioactive matter, and (v) ordnance, chemical weapons and related materials.

In September 1996, Commodore Environmental Services, Inc. agreed to provide LPM a line of credit to be drawn at the request of LPM between November 1996 and March 1997 to fund working capital deficiencies of LPM in an amount not to exceed \$3.0 million. Commodore's obligation to lend such funds to LPM is subject to a number of conditions, including review by Commodore of the proposed use of such funds by LPM. Such line of credit matures on the earlier of February 28, 1998 or termination of the Merger, solely by reason of either (i) the failure or refusal of the Company to comply with its various covenants and agreements contained in the Merger Agreement, or (ii) the Company's unsolicited receipt of a preemptive offer from an unaffiliated third party to purchase all or substantially all of the assets or securities of the Company which the Company's Board of Directors, in the exercise of their fiduciary duties to the Company's stockholders, elects to accept.

The principal payments due on the debt outstanding at September 30, 1996, are as follows:

Fiscal Year Ended	(Dollars in thousands) Principal Payments
1997	\$ 1,273
1998	2,000
1999	12,100
2000	1,600
2001	0

	\$ 16,973
	=====

NOTE 9 - COSTS AND EXPENSES:

The following are included in operating costs:

	(Dollars in thousands)	
	For the Year ended September 30,	
	1996	1995
	----	----
Patent expenses - external	\$ 703	\$ 1,007
Depreciation and amortization	1,627	2,385

NOTE 10 - SHAREHOLDERS' EQUITY AND RELATED ITEMS:

Lanxide Recapitalization Plan:

On November 14, 1995, the Company completed its Recapitalization Plan (the Plan.) Pursuant to the Plan, stockholders subscribed for 850,117 shares of the Company's common stock at \$4.50 per share, providing aggregate gross proceeds of \$3.8 million. In addition, 331,679 shares of common stock were issued to Bentley Blum, upon conversion of shares of the Series C Preferred Stock. In connection with the Plan, shares of Old Common Stock, Old Series A Preferred Stock and Old Series B Preferred Stock were converted into a total of 1,111,661 Units comprised of Series A Non-Voting Preferred Stock and Warrants to purchase common stock. Each share of Series A Preferred Stock is convertible into approximately .37 share of common stock and has an annual cumulative dividend of \$3.20 per share after January 1, 2001, subject to the extent of fifty percent of earnings of the Company and certain other limitations. The Series A Preferred Stock is redeemable at any time at the option of the Company at \$80 per share plus accrued but unpaid dividends. The Warrants expired on November 14, 1996.

1991 Director Stock Option Plan

In October 1991, the Board of Directors approved the Director Option Plan to compensate Directors for services. Prior to the Recapitalization Plan, eligible Directors had been granted options to purchase 93,198 shares of Old Common Stock at prices between \$5 and \$8 per share, all of which were outstanding at the time of the November 1995 Recapitalization. The resulting compensation expense is charged to operations over the option vesting period. In connection with the Recapitalization Plan, (i) current directors holding options granted pursuant to the 1991 Director Stock Option plan consented to

the cancellation of such options in exchange for new options granted pursuant to the 1991 Director Stock Option Plan to purchase one-twentieth of the options previously held at an exercise price of \$5.625 per share and (ii) options held by former directors were equitably adjusted with the effect that the holder thereof is entitled to purchase a number of Units equal to one-twentieth of the shares of Old Common Stock underlying such options at a per Unit exercise price equal to twenty times the exercise price per share of Old Common Stock.

1995 Director Stock Option Plan

In December 1995, the Board of Directors approved the 1995 Director Stock Option Plan (the 1995 Director Plan). The 1995 Director Plan authorizes the grant of options to purchase up to 25,000 shares of Common Stock. In December 1995, each director was granted an option to purchase 3,000 shares of Common Stock at an exercise price of \$5.62 per share. One-twelfth of these options vest at the end of each three-month period following the date of grant. Future directors will receive a prorated portion of the option to purchase 3,000 shares. A non-employee consultant was granted an option to purchase 3,000 shares of Common Stock with terms identical to current directors.

Grant of Warrants

In December 1995, the Board of Directors approved the issuance to certain executive officers of warrants (the Warrants) to purchase 66,000 shares of Common Stock. All of the Warrants vest on the third anniversary of the date of grant; provided, however, that the vesting of the Warrants will be accelerated if the Company achieves a net operating profit on a consolidated basis at the end of each fiscal year as follows: September 30, 1996: \$3.0 million and September 30, 1997: \$5.0 million. One-third of the Warrants vest and become exercisable on September 30 of each year in which the Company achieves the foregoing net operating profit amounts.

Employee Stock Options:

The 1983 Employee Stock Option Plan expired in October 1993. Stock options granted prior to the expiration date could have been exercised at various times during the ten year period following the date of grant unless otherwise canceled.

In December 1993, the Board of Directors adopted the 1993 Employee Stock Option Plan which was submitted to and approved by the Company's shareholders at the 1994 Annual Shareholders Meeting. Under the 1993 Plan, the Stock Option Committee of the Board of Directors (Committee) grant incentive and non-qualified stock options to employees to purchase no more than 1,000,000 shares of common stock. Employee stock option prices are not less than the Committee's estimated fair market value of the common stock on the grant date and stock options are generally exercisable at varying dates not to exceed ten years.

In connection with the Recapitalization Plan, The Company adopted the 1995 Employee Stock Option plan (the New Stock Option Plan), which was approved by stockholders. Holders of options granted pursuant to the Company's 1983 and 1993 Employee Stock Option Plans (the Old Stock Option Plans) consented to the cancellation of such options in exchange for options granted pursuant to the New Stock Option Plan. Pursuant to the New Stock Option plan, the Stock Option Committee has authority to grant options to purchase shares of Common Stock to officers and key employees and consultants of the company, its subsidiaries, affiliates and certain licensees. Options to purchase 262,938 shares of Common Stock have been granted pursuant to the New Stock Option Plan and are currently outstanding, and an additional 14,273 remain available for grant.

Following is a summary of stock option activity of the 1983, 1993 and 1995 employee plans:

<TABLE>

<CAPTION>

1983 and 1993 Stock Option Plans	1996	1995
	----	----
<S>	<C>	<C>
Options outstanding at beginning of year	1,585,184	1,667,153
Granted	0	64,375
Exercised	0	(15,200)
Canceled	1,585,184	(131,144)
	-----	-----
Options outstanding at end of year	0	1,585,184
	=====	=====
Option price range at end of year		\$5.00-16.00

1995 Stock Option Plan

Options outstanding at beginning of year	0
Granted	264,224
Exercised	0
Canceled	(1,286)

Options outstanding at end of year	262,938
	=====
Option price range at end of year	\$5.62-22.00

</TABLE>

Lanxide Armor Products Employee Stock Option Plan

The 1995 Stock Option Plan was adopted by LAP's Board of Directors in November 1995 for the benefit of LAP's employees. The Plan is underlied by 22,804 shares of Lanxide Corporation Common Stock. As of September 30, 1996, options to purchase 22,039 were outstanding and 44 option shares had been exercised.

Lanxide Electronic Components Stock Option Plan

The 1995 Stock Option Plan was adopted by LEC's Board of Directors in August 1995 for the benefit of LEC's employees. The Plan is underlied by 10,000 shares of LEC Common Stock. As of September 30, 1996, options to purchase 5,930 were outstanding.

Old Series A Preferred Stock:

During fiscal 1990, the Company sold 3 million shares of Old Series A Preferred Stock, par value \$.01 per share, for \$30.0 million, of which \$1.9 million was financed through the issuance of investor interest bearing notes. All but \$60,000 of the notes were paid.

In connection with the Recapitalization Plan, each Old Series A Preferred Stock was converted into one twentieth of a Unit, as defined above.

Old Series B Preferred Stock:

The Company issued 4,325,506.5 shares of its Old Series B Preferred Stock to Alcan Aluminium Limited and its affiliates (Alcan) in May 1992 in conjunction with the complete restructuring of Alcan's interest in the Alcan/Lanxide commercial ventures. Each share had limited voting rights and was convertible into two shares of common stock upon the occurrence of certain events, including the sale of such shares by Alcan. Alcan was subject to certain restrictions on the amount of stock it may sell to any one person and was bound by certain anti-takeover provisions until June 28, 1995. In connection with the Recapitalization Plan, each share of the Company's Series B Preferred Stock was converted into one-tenth of a Unit, as defined above.

Series C Preferred Stock:

On July 5, 1995, the Company entered into a Securities Purchase Agreement with Bentley Blum, a Director of the Company (the Series C Securities Purchase Agreement), for the issuance and sale of up to 172,000 shares of Series C Preferred Stock, at an aggregate purchase price of \$1.7 million. The Company issued 145,900 shares of Series C Preferred Stock for aggregate proceeds of \$1.5 million. The cumulative dividends accrued at a rate of 8% per annum. Upon consummation of the Recapitalization Plan, the Series C Preferred Stock automatically converted into New Common Stock.

In connection with the Series C Securities Purchase Agreement, the Company issued to Mr. Blum a warrant to purchase 133,333 shares of New Common Stock at an exercise price of \$4.50 per share, which he exercised on June 30, 1996.

Series D and E Securities Purchase Agreement:

On October 3, 1995, the Company entered into a securities purchase letter agreement (the Securities Purchase Letter Agreement), pursuant to which the Company sold to Bentley Blum 7,000 shares of mandatorily redeemable Series D Preferred Stock, at an aggregate price of \$70,000, and 26,100 shares of mandatorily redeemable Series E Preferred Stock, at an aggregate price of \$261,000.

The Series D Preferred Stock paid a dividend at the rate of 7% per annum. Upon consummation of the Recapitalization Plan, each share of Series D Preferred Stock was automatically converted into an amount of cash equal to \$10 per share (or an aggregate of \$70,000), plus any accrued but unpaid dividends and the shares of Series D Preferred Stock were canceled and retired.

The Series E Preferred Stock pays a dividend at the rate of 7% per annum when, as and if declared by the Board of Directors. Upon consummation of the Recapitalization Plan, each share of Series E Preferred Stock remained outstanding and continued to represent one share of New Series E Preferred Stock of the surviving corporation. Each outstanding share of Series E Preferred Stock is mandatorily redeemable by the Company at \$10 per share, plus accrued but unpaid dividends out of assets legally available therefor on October 3, 2000. The carrying amount of the Series E Preferred Stock is being accreted up to the redemption value over the five year term. Pursuant to the Securities Purchase Letter Agreement, the Company issued Mr. Blum a warrant to purchase 58,763 shares of New Common Stock, at an exercise price of \$4.50 per share, for a period expiring thirty-eight months after the completion of the Recapitalization Plan.

NOTE 11 - EMPLOYEE BENEFIT PLAN:

In July 1988, the Company implemented a 401(k) Matched Savings Plan that permits eligible employees to defer and have the Company contribute a portion of their compensation on a pre-tax basis to the Plan. The Company may make a matching contribution of fifty cents for each dollar deferred by a participant up to 4% of a participant's compensation. Company contributions to the Plan were \$193,000 and \$242,000 in 1996 and 1995, respectively.

NOTE 12 - DEFERRED COMPENSATION PLAN:

During the period June 1993 to May 1994, the Company implemented a Deferred Compensation Plan whereby a portion of the employees' compensation was deferred and payable in five years together with 12% interest compounded annually. Payment was to be in cash or Old Lanxide Common Stock at a rate of \$13 per share at the option of the employees. In connection with the Recapitalization Plan, the Board of Directors adopted an amendment to the Deferred Compensation Plan, pursuant to which the deferred portion of an employee's compensation will be payable in cash or New Common Stock at a rate equal to the greater of \$25 per share or the fair market value per share of Common Stock on the first anniversary of the effective date of the Recapitalization Plan (see Note 10).

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

In 1984, Mr. Blum exercised his option to purchase for \$1.8 million the Company's land and building (Forge Drive facility) that was originally financed by an industrial development revenue bond. The building was originally leased back to the Company through December 31, 1998, and the Company continues to be contingently liable for repayment under the original financing indenture (\$134,000 at September 30, 1996). On August 1, 1996, the Company entered into a lease modification agreement for the Forge Drive facility. The modified lease term covers the period August 1, 1996 through December 31, 2008, with a 10-year renewal option at the expiration of the lease. Minimum annual lease payments for the first renewal term are \$275,000 through December 31, 1998, increasing to \$285,000 and \$300,000 on January 1, 1999 and 2004, respectively. The lease grants the Company the right of first refusal with respect to the purchase of the facility.

On March 28, 1996, the Company sold the Marrows Road facility for \$8.6 million to W.P. Carey, a purchaser and lessor of corporate real estate. Concurrent with the sale, the Company entered into a noncancelable twenty-year operating lease with the Buyer with renewal options for another 20 years. The lease requires prepaid quarterly payments of \$244,000 with inflation adjustments every five years, and is being accounted for as an operating lease. In connection with the sale and leaseback, the Company entered into sublease agreements with each of three commercial venture companies that occupy the facility. Because of the significance of these subleases, this transaction does not constitute a normal leaseback for the Company. Accordingly, the \$361,000 gain on the sale of the building is being deferred and will be recognized over the initial 20-year lease term. In connection with this transaction, the Company sold at fair value (\$200,000) a warrant to purchase 15,500 shares of Common Stock at an exercise price of \$14 per share.

The sale and leaseback transaction generated \$3.3 million of working capital after the prepayment of a \$4.1 million mortgage on the Marrows Road facility and the payment of associated fees and closing costs. The Company also paid a non-cash brokerage fee for the arrangement of the transaction in the amount of 10,700 shares of Common Stock.

Minimum annual operating lease payments for the Forge Drive and the Marrows Road facilities following the above transactions are as follows:

(Dollars in thousands)

Fiscal year ended	Lease Payments
-----	-----

1997	\$ 1,251
1998	1,251
1999	1,259
2000	1,261
2001	1,288

Shareholder Lawsuit

On July 17, 1996, certain shareholders of the Company who held shares of stock prior to the consummation of the Company's 1995 Recapitalization, filed a lawsuit in the United States District Court against the Company.

The allegations in the Complaint arise from a settlement agreement (the Settlement Agreement) entered into by the plaintiffs and the Company in March 1996 relating to the Company's 1995 Recapitalization. Pursuant to the Settlement Agreement, the plaintiffs agreed to relinquish all claims against the Company relating to the 1995 Recapitalization, including their demand for appraisal rights under Section 262 of the Delaware General Corporation Law, in exchange for Units of the Company plus the right to purchase shares of the Company's new common stock and to receive warrants for additional shares of the Company's new common stock.

In the Complaint, the plaintiffs alleged that the Company has breached the Settlement Agreement by substituting for the new common stock, a class of restricted stock of a lesser value that was not contemplated by the Settlement Agreement. The plaintiffs seek, among other things, monetary damages, the reinstatement of their appraisal claim, and the award of the costs and disbursements of the action, including reasonable attorneys' and experts' fees.

The Company believes that the plaintiffs' claims are without merit and intends to defend vigorously against such claims. The Company recorded a charge of \$74,000 in March 1996 relating to the Settlement Agreement. No further liability has been accrued at this time.

NOTE 14 - SUBSEQUENT EVENTS:

Merger with Commodore Environmental Services, Inc.

On November 13, 1996, the Company entered into a merger agreement with Commodore under which the Company will become a wholly-owned subsidiary of Commodore. As a result of the Merger, each share of the Company's common stock would be exchanged for shares of Commodore common stock; each share of the Company's Series A Preferred Stock would be exchanged for shares of Commodore common stock and each share of the Company's 7% Series E Redeemable Preferred Stock would be exchanged for shares of a newly created issue of Commodore Series D Preferred Stock. The transaction would be subject to certain conditions, including the consummation of a public offering of at least \$50.0 million of common stock of Commodore. The Company and Commodore have targeted completion of the merger for March 1997.

License Agreement with AKN Corporation

In October, 1996, the Company signed a non-exclusive license agreement with AKN Corporation (AKN) for the manufacture, use and sale of brake components in Southeast Asia and Oceania. AKN is a newly created joint venture of three companies headquartered in Japan: Akebono Brake Industry Co., Ltd (Akebono); Nihon; and Kanematsu. The joint venture is also licensed by the Company's Japanese affiliate, Lanxide K.K., for the manufacture, use and sale of brake products in Japan. Under the agreement, AKN is required to make an initial license payment of \$4.0 million to the Company in November 1996, the proceeds of which are to be used to repurchase the \$4.0 million of Alanx preferred stock held by Nihon (See Note 2 - Transactions with Nihon Cement). In addition, AKN is required to make payments totaling \$4.0 million to Lanxide K.K., payable in four equal installments due on November 15, 1996, December 31, 1996, June 30, 1997 and December 31, 1997. The license also requires AKN to pay a royalty on all sales of licensed products. The agreement grants AKN the option to execute an exclusive manufacturing license for an additional \$4.0 million. This option expires in September 1997 and payment is due no later than September 1998. A separate agreement between Akebono, Nihon and the Company provides for a joint development program whereby the Company will be reimbursed \$4.0 million for development work performed over a two year period.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS;

The following table sets forth, as of September 30, 1996, certain information concerning the directors and executive officers of the Company:

<TABLE>

<CAPTION>

Name	Age	Position	Year first elected Director
----	---	-----	-----
<S>	<C>		<C>
Marc S. Newkirk	49	President, Chief Executive Officer and Director	1983
Mark G. Mortenson	38	Executive Vice President and Chief Operating Officer	---
Michael J. Hollins	52	Vice President, Corporate Development	---
Robert J. Ferris	56	Treasurer, Secretary and Vice President, Administration	---
Christopher R. Kennedy	48	Vice President, Technology	---
Paul E. Hannesson	56	Chairman of the Board of Directors	1983
Bentley J. Blum	55	Director	1983
J. Frederick Van Vranken, Jr.	61	Director	1983
Stephen A. Weiss	55	Director	1995

</TABLE>

MARC S. NEWKIRK founded the Company and has been its President since 1983 and its Chief Executive Officer since 1984. Mr. Newkirk is a past Chairman and President of the United States Advanced Ceramic Association, the trade association for the advanced ceramics industry. He serves on the Board of Directors of The Institute for Applied Composite Technology and is a member of The Council on Competitiveness. He is the inventor of numerous patented developments in materials processing systems.

MARK G. MORTENSON, ESQ. has served as the Company's Chief Patent Counsel since December 1987. He was promoted to Vice President and Chief Patent Counsel in 1994, to President of LPM in March 1995 and to Executive Vice President and Chief Operating Officer in May 1995.

MICHAEL J. HOLLINS has served as Vice President, Corporate Development, of the Company since its inception in 1983. From 1978 to 1983, Mr. Hollins was Operations Manager in charge of manufacturing, engineering and market development for SES Incorporated ('SES'), a Shell Oil Company venture in the field of solar energy conversion.

ROBERT J. FERRIS has served as Treasurer and Secretary of the Company since its inception in 1983. In 1988, he assumed the added position of Vice President, Administration. From 1965 to 1983, Mr. Ferris was employed by Shell Oil Company in various financial capacities, including, from 1980 to 1983, as Finance Manager of SES.

CHRISTOPHER R. KENNEDY has served as Vice President, Technology, of the Company since April 1993, and as a section manager at the Company since 1984. He manages research and development activities involving composites for high temperature structural applications, armor, electronic ceramics, refractories, sporting goods, automotive applications, and precision machine components.

PAUL E. HANNESSON has served as the Chairman of the Board of the Company since 1983. He currently serves as Chairman of the Board and Chief Executive Officer of Commodore Environmental Services, Inc. (Commodore). Mr. Hannesson served as the President and Chief Executive Officer of Commodore Applied Technologies, Inc. (Applied) from March through August 1996 and has been a director of Applied since March 1996. He has also been the Chairman of the Board of Commodore Separation Technologies, Inc. (Separation) since November 1995. Mr. Hannesson was a private investor and business consultant from 1990 to 1993, and was also an officer and director of Specialty Retail Services, Inc. from 1989 to August 1991. Mr. Hannesson is the brother-in-law of Bentley J. Blum, a director of the Company.

BENTLEY J. BLUM has been a director of the Company since 1983. He served as the Chairman of the Board of Commodore from 1984 through November 1996 and continues as a director of Commodore. Mr. Blum has also been the Chairman of the Board of Applied since February 1993 and a director of Separation since August 1996. For more than 15 years, Mr. Blum has been actively engaged in real estate acquisitions and currently is the sole stockholder and director of a number of private corporations which hold real estate interests, oil drilling interests and other corporate interests. Mr. Blum is a director of Federal Resources Corporation, a company formerly engaged in manufacturing, retail distribution and natural resources development; Specialty Retail Services, Inc., a former distributor of professional beauty products; and North Valley Development Corp., an inactive

real estate development company. Mr. Blum is the principal stockholder of Commodore and the Company, and is the brother-in-law of Paul E. Hannesson, the Chairman of the Board of the Company.

J. FREDERICK VAN VRANKEN, JR. has been a director of the Company since 1983. He has been a Managing Director of Furman Selz Incorporated since September 1995. From July 1995 to September 1995, Mr. Van Vranken was a private investor. From December 1983 through July 1995, Mr. Van Vranken was Senior Vice President of Sanford C. Bernstein & Co. Inc., an investment research and management firm. From 1980 to 1983, Mr. Van Vranken was self-employed in the venture capital business. Prior thereto, he served as Senior Vice President, director and member of the Executive Committee of Smith Barney, an investment banking firm, as well as President of Smith Barney, Harris Upham International.

STEPHEN A. WEISS has been a director of the Company since July 1995, having been appointed pursuant to the terms of a securities purchase agreement, dated July 5, 1995, between Mr. Blum and the Company. For the past 25 years, Mr. Weiss has practiced corporate and business law in New York, New York. He is currently a shareholder of Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, which represents Commodore in the Merger and the Public Offering. Mr. Weiss serves on the Board of Directors of Consolidated Stainless, Inc., a manufacturer and distributor of stainless steel pipe, valves and fittings, and T.J.T., Inc., a company engaged in the business of repairing and reconditioning axles and tires for the manufactured housing industry. Mr. Weiss received his B.S. and L.L.B. from New York University in 1962 and 1965, respectively.

Prior to the Company's 1996 Annual Meeting of Stockholders on February 28, 1996, the Company's Board of Directors was divided into three classes, each of which was elected by holders of Old Common Stock and Old Series A Preferred Stock, voting together as a single class, for a three-year term, with one class being elected each year. The Board of Directors currently consists of one Class I Director, two Class II Directors and two Class III Directors. The term of the Class I Director, Mr. Newkirk, expires in 1997; the term of the Class II Directors, Messrs. Hannesson and Van Vranken, expires in 1998; and the term of the Class III Directors, Messrs. Blum and Weiss, expires in 1999.

Pursuant to an amendment to the Company's Certificate of Incorporation which was adopted by the stockholders of the Company at its 1996 Annual Meeting of Stockholders, the Board of Directors is no longer divided into classes. Commencing with the 1997 Annual Meeting of Stockholders, directors will be elected for one-year terms. Each incumbent director will be entitled to complete his term such that commencing with the 1999 Annual Meeting of Stockholders, all directors will be elected for one-year terms.

The Board of Directors determined that eliminating the classified Board of Directors and instead having all of the Company's Directors elected annually would best serve the interests of the Company and its stockholders. The elimination of the staggered board requires each Director to stand for election annually. This procedure allows stockholders an opportunity to annually register their views on the performance of the Board of Directors collectively and each director individually.

Board of Directors Committees

The Board of Directors currently has four standing committees: the Audit Committee, the Compensation Committee, the Stock Option Committee and the Finance Committee.

Audit Committee

As of September 30, 1996, the Audit Committee consisted of Messrs. Hannesson and Van Vranken, each of whom are non-employee directors. The Audit Committee did not formally meet during the 1996 fiscal year. The Audit Committee, through direct communication with the Company's independent accountants, evaluates the adequacy and effectiveness of the Company's administrative, operating and accounting policies and its internal accounting control system. It reviews and approves significant accounting changes and the annual financial statements.

Compensation Committee

The Compensation Committee currently consists of Messrs. Hannesson and Weiss, both of whom are non-employee directors. The Compensation Committee did not meet formally during the 1996 fiscal year. The Compensation Committee determines and sets the annual compensation to be paid to the Company officers.

Stock Option Committee

The Stock Option Committee consists of Messrs. Hannesson and Weiss, both of whom are non-employee directors. The Stock Option Committee did not meet

formally during the 1996 fiscal year. The Stock Option Committee administers the Stock Option Plans as approved by the stockholders of the Company and determines each employee's participation in the plans.

Finance Committee

The Finance Committee consists of Messrs. Blum, Newkirk and Van Vranken, of whom Messrs. Blum and Van Vranken are non-employee directors, and is chaired by Mr. Van Vranken. The Finance Committee advises the Board of Directors on corporate finance transactions and the selection of underwriters for such transactions.

ITEM 10. EXECUTIVE COMPENSATION

Summary of Cash and Certain Other Compensation

Since Lanxide Corporation has been a reporting company since November 14, 1995, information is being provided for the last two fiscal years. The following table sets forth the annual and long-term compensation of the five most highly compensated officers of Lanxide for the fiscal years ended September 30, 1996 and 1995 (the Named Lanxide Executive Officers).

<TABLE>
<CAPTION>

TABLE I
Summary of Compensation to Certain Executive Officers

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation		
		Salary (\$)(1)	Bonus(\$)	Other Annual Compensation (\$)	Restricted Stock Awards(\$)	Awards	Payouts
					Securities Underlying Options (#)	All Other Compensation (\$)(2)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
Marc S. Newkirk President and Chief Executive Officer	1996	\$257,425	--	--	--	114,123	\$6,021
	1995	\$251,425	--	--	--		\$4,441
Michael J. Hollins Vice President, Corporate Development	1996	\$136,423	--	--	--	18,605	\$4,521
	1995	\$135,655	--	--	--	---	\$4,244
Mark G. Mortenson, Esq. Executive Vice President and Chief Operating Officer	1996	\$141,901	--	--	--	11,150	\$4,168
	1995	\$118,073	--	--	--	---	\$3,503
Christopher R. Kennedy Vice President, Technology	1996	\$120,714	--	--	--	9,500	\$3,440
	1995	\$120,194	--	--	--	---	\$3,269
Robert J. Ferris Treasurer, Secretary and Vice President, Administration	1996	\$123,320	--	--	--	12,199	\$4,033
	1995	\$122,178	--	--	--	---	\$3,789

(1) Includes the following salary restoration adjustments: \$49,950 for Mr. Newkirk; \$27,021 for Mr. Hollins; \$32,535 for Mr. Mortenson; \$23,513 for Mr. Kennedy; and \$24,313 for Mr. Ferris.

(2) Represents interest earned on the Deferred Compensation Plan which is in excess of the maximum allowable federal rate of 7.79%, plus the Company's matching contributions under the Employee Savings Plan.

Salary Restoration Program

Due to the Company's ongoing cash needs, as of March 20, 1995, the officers of the Company agreed to a temporary 33% salary reduction. During fiscal 1995, the total amount of this salary reduction was approximately \$160,000. Although this salary reduction remains in effect, on December 8, 1995, the Board of Directors approved a salary restoration program. During each quarter of 1996, the officers are eligible to receive restoration of their lost salary (the Restored Portion) for fiscal 1996 to the extent that the operating income of the Company, excluding extraordinary items, is greater than \$15,000 for the quarter, after giving effect to the restoration of the salaries. If the operating income in any quarter is insufficient to pay each participant's Restored Portion, then the Company is permitted to pay to the participants that amount of salary not previously restored, to the extent that the operating income of the Company, excluding extraordinary items, is greater than \$60,000 for the fiscal year, after giving effect to

the restoration of salaries.

Compensation of Directors

In addition to the Director Option Plan referred to below, the Directors are reimbursed for normal expenses incurred in attending Board of Directors or committee meetings and for other miscellaneous expenses incurred while performing their duties as Directors. No cash compensation is paid to the Directors for their services.

The following table shows the number of shares of Common Stock underlying the Stock Options granted in fiscal year 1996 to each of the named executives listed in Table I, the percentage of total options granted which each executive's stock option grant represents, the exercise price of each option granted and the expiration date of each option granted.

<TABLE>
<CAPTION>

TABLE II
Option/Sar Grants in Last Fiscal Year

Name	# of Securities Underlying Options	Percent of total options granted in fiscal year	Exercise Price	Option Expiration Date
<S>	<C>	<C>	<C>	<C>
Marc S. Newkirk	114,123	43 %	\$5.625	11/13/05
Michael J. Hollins	7,478 6,127 5,000	7 %	"	11/14/05 11/14/05 11/29/05
Mark G. Mortenson	4,150 7,000	4 %	"	11/13/05 11/28/05
Christopher Kennedy	4,500 5,000	3 %	"	11/13/05 11/29/05
Robert J. Ferris	1,139 6,060 5,000	5 %	"	11/14/05 11/14/05 11/29/05

</TABLE>

Options Exercised in Fiscal Year 1996

The following table shows the number and value of stock options exercised by each of the named executives listed in Table I during fiscal year 1996, the number of all vested (exercisable) and unvested (not yet exercisable) stock options held by each such officer at the end of fiscal year 1996, and the value of all such options that were "in the money" (i.e., the market price of the Common Stock was greater than the exercise price of the options) at the end of fiscal year 1996.

<TABLE>
<CAPTION>

TABLE III
Aggregated Option Exercises in Fiscal Year 1996 and Fiscal Year End Option Values

Name	Shares		Number of Securities Underlying Unexercised Options at End of Fiscal 1996		Value of Unexercised In-the-Money Options at End of Fiscal 1996
	Acquired on Exercise(#)	Value Realized (\$)	Exercisable / Unexercisable	Exercisable / Unexercisable	
<S>	<C>	<C>	<C>	<C>	<C>
Marc S. Newkirk	-0-	\$0	78,569/35,554		\$815,153/\$368,873
Michael J. Hollins	-0-	0	8,619/9,986		89,422/103,605
Mark G. Mortenson	-0-	0	1,383/9,767		14,349/101,333
Christopher R. Kennedy	-0-	0	1,500/8,000		15,562/83,000
Robert J. Ferris	-0-	0	3,159/9,040		32,775/93,790

</TABLE>

EXISTING COMPANY PLANS

1995 Employee Stock Option Plan

In connection with the Recapitalization Plan, the Company adopted the 1995 Employee Stock Option Plan (the New Stock Option Plan), which was approved by stockholders at the Special Meeting held on November 10, 1995. In addition, holders of options granted pursuant to the Company's 1983 and 1993 Employee Stock Option Plans (the Old Stock Option Plans) consented to the cancellation of such options in exchange for options granted pursuant to the New Stock Option Plan. Pursuant to the New Stock Option Plan, the Stock Option Committee will have authority to grant options to purchase shares of New Common Stock to officers, key employees and consultants of the Company, its subsidiaries, affiliates and certain licensees. Options to purchase 262,938 shares of Common Stock have been granted pursuant to the New Stock Option Plan and are currently outstanding and an additional 14,273 remain available for grant.

1991 Director Stock Option Plan

In October 1991, the Board of Directors approved the Director Option Plan to compensate Directors for services. Prior to the Recapitalization Plan, eligible Directors had been granted options to purchase 93,198 shares of Old Common Stock at prices between \$5 and \$8 per share, all of which were outstanding at the time of the November 1995 Recapitalization. The resulting compensation expense is charged to operations over the option vesting period. In connection with the Recapitalization Plan, (i) current directors holding options granted pursuant to the 1991 Director Stock Option Plan consented to the cancellation of such options in exchange for new options granted pursuant to the 1991 Director Stock Option Plan to purchase one-twentieth of the options previously held at an exercise price of \$5.625 per share and (ii) options held by former directors were equitably adjusted with the effect that the holder thereof is entitled to purchase a number of Units equal to one-twentieth of the shares of Old Common Stock underlying such options at a per Unit exercise price equal to twenty times the exercise price per share of Old Common Stock.

1995 Director Stock Option Plan

In December 1995, the Board of Directors approved the 1995 Director Stock Option Plan (the 1995 Director Plan). The 1995 Director Plan authorizes the grant of options to purchase up to 25,000 shares of Common Stock. In December 1995, subject to stockholder approval, each director was granted an option to purchase 3,000 shares of Common Stock at an exercise price of \$5.62 per share. One-twelfth of these options vest at the end of each three-month period following the date of grant. Future directors will receive a prorated portion of the option to purchase 3,000 shares. A non-employee consultant was granted an option to purchase 3,000 shares of Common Stock with terms identical to the directors. The stockholders of the Company approved the 1995 Director Plan at the Annual Meeting of Stockholders held on February 28, 1996.

Grant of Warrants

In December 1995, the Board of Directors approved the issuance to certain executive officers of warrants (the Warrants) to purchase 66,000 shares of Common Stock. All of the Warrants vest on the third anniversary of the date of grant; provided, however, that the vesting of the Warrants will be accelerated if the Company achieves a net operating profit on a consolidated basis at the end of each fiscal year as follows: September 30, 1996: \$3.0 million and September 30, 1997: \$5.0 million. One-third of the Warrants vest and become exercisable on September 30 of each year in which the Company achieves the foregoing net operating profit amounts.

Deferred Compensation Plan

From June 1993 through May 1994, the Company implemented a Deferred Compensation Plan (the Deferred Compensation Plan) whereby a portion of the employee's compensation is deferred and payable in five years together with 12% interest compounded annually. The Deferred Compensation Plan, as initially adopted, provided that payments of such compensation would be made in cash or Old Common Stock at a rate of \$13 per share at the option of the employees. The deferred compensation accrual as of September 30, 1996 and 1995 was, \$1,230,000 and \$1,097,000, respectively.

In connection with the Recapitalization Plan, the Board of Directors adopted an amendment to the Deferred Compensation Plan, effective November 14, 1995, pursuant to which the deferred portion of an employee's compensation will be payable in cash or Common Stock at a rate equal to the greater of \$25 per share and the fair market value per share of Common Stock on November 14, 1996. On November 14, 1996, the fair market value per share of Common Stock was below \$25, therefore, \$25 per share will be used in the calculations.

401(k) Matched Savings Plan

In July 1988, the Company implemented a 401(k) Matched Savings Plan (the Employee Savings Plan) permitting eligible employees to defer and have the

Company contribute a portion of their compensation on a pre-tax basis to the Employee Savings Plan. The Company may make a matching contribution of fifty cents for each dollar deferred by a participant up to 4% of a participant's total cash compensation. Company contributions to the Employee Savings Plan were \$193,000 and \$242,000 in 1996 and 1995, respectively.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Below is a table setting forth the beneficial ownership as of December 13, 1996 of the Common Stock of the Company by each of its officers, directors and each entity known by the Company to beneficially own five percent or more of any class of the Company's voting securities.

<TABLE>
<CAPTION>

Title of Class	Name and Address of Beneficial Owner (1)	Number of Shares	Percent of Class
<S>	<C>	<C>	<C>
Common Stock	Alcan (2), (3)	188,432	12.4%
	Marc S. Newkirk (4)-(6)	169,529	11.6
	Michael J. Hollins (4), (6), (7)	25,057	1.9
	Mark G. Mortenson (6)	5,099	*
	Christopher R. Kennedy (6)	4,666	*
	Robert J. Ferris (4), (6)	9,546	*
	Bentley J. Blum (4), (6), (8)	656,239	46.6
	Paul E. Hannesson (4), (6), (9)	34,863	2.6
	J. Frederick Van Vranken, Jr. (4), (6), (10)	20,940	1.6
	Stephen A. Weiss (4), (6), (11)	1,092	*
	All directors and executive officers as a group (nine persons)	927,031	58.5

</TABLE>

* Less than 1% of outstanding shares.

- (1) Unless otherwise indicated, (i) the address of each of the beneficial owners is c/o Lanxide, 1300 Marrows Road, P.O. Box 6077, Newark, Delaware 19714; (ii) all shares are owned directly; and (iii) each person has sole investment and voting power.
- (2) Consists solely of shares of the Company's Series A Preferred Stock, convertible at any time into the Company's Common Stock.
- (3) Includes 27,007; 96,865; and 64,560 shares owned by Alcan Aluminium Limited, Alcan Aluminum Corporation and Alcan Automotive Castings, respectively. Alcan's address is 1188 Sherbrooke Street West, Montreal, Quebec, Canada H3A 3G2.
- (4) Includes 184,944 shares of the Company's Series A Preferred Stock, convertible at any time into 68,787 shares of the Company's Common Stock.
- (5) Includes shares owned by Mr. Newkirk's spouse, Karen H. Newkirk (2,487 shares); and minor children trusts dated 3/3/88 for the benefit of Corey E. Newkirk (1,827 shares) and Ross S. Newkirk (1,827 shares) and trust under agreement of Marc S. Newkirk dated 3/3/88 (66,773) shares for which Mr. Newkirk has voting power.
- (6) Includes options to purchase 131,718 shares of the Company's Common Stock which are exercisable within 60 days, including: 96,346 shares for Mr. Newkirk, 12,778 shares for Mr. Hollins, 5,099 shares for Mr. Mortenson, 4,666 shares for Mr. Kennedy, 6,845 shares for Mr. Ferris, 1,504 shares for Mr. Blum, 1,504 shares for Mr. Hannesson, 1,976 shares for Mr. Van Vranken, and 1,000 shares for Mr. Weiss.
- (7) Excludes shares beneficially owned by Kanematsu which are subject to the Voting Trust Agreement, dated as of May 28, 1992, between Kanematsu and Mr. Hollins, as voting trustee.
- (8) Includes 41,088 shares owned by Mr. Blum's spouse, Laura Utley, as to which Mr. Blum disclaims beneficial ownership. Also includes warrants to purchase 58,763 shares of the Company's Common Stock exercisable until January 14, 1998. Mr. Blum's address is 150 E. 58th Street, New York, NY 10155.
- (9) Includes 16,680 shares owned by Mr. Hannesson's spouse, Suzanne G. Hannesson, as to which Mr. Hannesson disclaims beneficial ownership. Mr. Hannesson's address is 150 East 58th Street, New York, NY 10155.
- (10) Includes shares owned by Mr. Van Vranken's Individual Retirement Account, of which Mr. Van Vranken is the beneficial owner. Mr. Van Vranken's address is 230 Park Avenue, 13th Floor, New York, NY 10169.
- (11) Mr. Weiss' address is 153 East 53rd Street, 35th Floor, New York, NY 10022.

Merger with Commodore Environmental Services, Inc.

Pursuant to the Merger Agreement, all issued and outstanding shares of the Company's capital stock would be exchanged for shares of Commodore capital stock. See "Business - Recent Developments - Merger Agreement" and "Management's Discussion and Analysis of Results of Operations and Financial Condition".

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with Certain Directors

In connection with the sale of the Company's equity interest in LPI to LNX Acquisition Company (LNX) on May 26, 1995 and the subsequent exercise of its option to buy shares of LPI Common Stock by Argentum Capital Partners, L.P. and certain other investors, the Company received \$750,000 in cash and \$1.25 million in non-recourse notes, secured by the LPI Common Stock. The notes included interest at the rate of the 3-month U.S. Treasury bill rate plus 1% and were paid in June 1996. LNX is controlled by Messrs. Blum and Hannesson, directors of the Company.

Pursuant to an agreement, dated July 5, 1995, between the Company and Bentley J. Blum, a director and principal stockholder of the Company (the Series C Purchase Agreement), the Company issued 145,900 shares of Old Series C Preferred Stock in exchange for installment payments equal to \$1,459,000 which were paid to the Company between July 1995 and October 1995. Pursuant to their terms, these shares of Old Series C Preferred Stock were automatically converted into an aggregate of 331,679 shares of Common Stock at the Effective Time of the Recapitalization Plan. In addition, the Company issued to Mr. Blum a warrant to purchase 133,333 shares of Common Stock, exercisable from the Effective Time of the Recapitalization Plan until June 30, 1996 at a price of \$4.50 per share, in consideration for Mr. Blum's obligation to pay certain obligations of the Company, when, as and if due, up to \$600,000. Mr. Blum exercised the warrant on June 30, 1996. In addition, pursuant to the Series C Purchase Agreement, one of the vacancies on the Board of Directors created by the resignation of three directors during fiscal 1995 was filled by Stephen A. Weiss and the next vacancy on the Board of Directors may be filled by a person acceptable to Mr. Blum.

On October 3, 1995, the Company issued to Mr. Blum 7,000 shares of 7% Redeemable Preferred Stock, (the Old Series D Preferred Stock), and 26,100 shares of 7% Redeemable Preferred Stock, (the Old Series E Preferred Stock), in exchange for \$70,000 and \$261,000, respectively. In addition, the Company issued to Mr. Blum a warrant to purchase 58,763 shares of Common Stock exercisable until January 14, 1999 at a price of \$4.50 per share. Pursuant to the Recapitalization Plan, the shares of Old Series D Preferred Stock were converted into an amount of cash equal to \$70,577, and the shares of Old Series E Preferred Stock remain outstanding and continue to represent shares of Series E Preferred Stock of the surviving corporation.

Transactions with Commodore

In order to provide the Company with temporary liquidity, in August 1996, Commodore Applied Technologies, Inc. (Applied) extended a line of credit of up to \$1.5 million to one of the Company's subsidiaries, LPM, which line of credit is guaranteed by the Company and secured by the assets of LPM, excluding its proprietary technology. The principal balance outstanding will be due on the earlier of completion of the Merger or February 28, 1998 and will bear interest at Citibank N.A.'s prime rate of interest. As additional consideration for the line of credit, the Company, through its affiliate, Lanxide Technology Company L.P., granted to Applied an exclusive worldwide (other than Japan) license for the use of the Company's technology in process reactor vessels for the decontamination, remediation, neutralization, separation and destruction of (i) soils and substrates contaminated with PCBs and other halogenated substances, (ii) PCBs and other halogenated substances in their unmixed form, (iii) other materials and substances subjected to Applied's SET process, (iv) low level nuclear waste, radionuclides and other radioactive matter, and (v) ordnance, chemical weapons and related materials.

In September 1996, Commodore Environmental Services, Inc. (Commodore) also agreed to provide LPM a line of credit to be drawn at the request of LPM between November 1996 and March 1997 to fund working capital deficiencies of LPM in an amount not to exceed \$3.0 million. Commodore's obligation to lend such funds to LPM is subject to a number of conditions, including review by Commodore of the proposed use of such funds by LPM. Such line of credit matures on the earlier of February 28, 1998 or termination of the Merger, solely by reason of either (i) the failure or refusal of the Company to comply with its various covenants and agreements contained in the Merger Agreement, or (ii) the Company's unsolicited receipt of a preemptive offer from an unaffiliated third party to purchase all or substantially all of the assets or securities of the Company which the Company's Board of Directors, in the exercise of their fiduciary duties to the Company's stockholders, elects to accept.

Transactions with Alcan

Prior to the Recapitalization Plan, Alcan owned an approximately 46% equity interest in the Company. Pursuant to the Alcan Letter Agreement, dated July 14, 1995, Alcan agreed with the Company that (i) at the Company's 1995 Special Meeting of stockholders Alcan would vote all of its shares of Old Common Stock and all of its shares of Old Series B Preferred Stock in favor of the Recapitalization Plan and (ii) Alcan would not exercise any rights issued to it pursuant to the Company's rights offering. In addition, the Company, Marc S. Newkirk and Alcan agreed to terminate the Alcan Stockholders Agreement at the effective time of the Recapitalization Plan. The Company has agreed to indemnify Alcan and the members of its Board of Directors serving as representatives of Alcan against certain liabilities arising against such directors as a result of the Recapitalization Plan.

As a result of the Recapitalization Plan, Alcan now owns no Common Stock and 506,610 shares of Series A Preferred Stock. In November 1995, the Company entered into a Registration Rights Agreement with Alcan which provides for certain registration rights with respect to securities held by Alcan.

Transactions with Kanematsu

Lanxide K.K. was organized to commercialize the Company's products in Japan. Lanxide K.K. is owned 65% by the Company and 35% by Kanematsu. As part of the transaction, Kanematsu purchased 943,750 shares of the Old Common Stock. Pursuant to a Voting Trust Agreement, Michael J. Hollins, an executive officer of the Company, has the right to vote all such shares in his sole discretion. Kanematsu may exchange all, but not less than all, of its interest in Lanxide K.K. for additional shares of the Company for a period of five years from the date of formation of Lanxide K.K.

Pursuant to an April 1994 loan agreement, Kanematsu has provided the Company with a \$10.0 million secured revolving credit and time note. The loan bears interest at 2% above LIBOR (7.625% at September 30, 1996) and matures in December 1998. The Company has borrowed all funds currently available under this facility. Concurrently with the establishment of the loan facility, the royalty sharing arrangements between the Company and Kanematsu were revised to give Kanematsu a larger percentage.

Pursuant to the Recapitalization Plan, Kanematsu purchased 61,000 shares of Common Stock. As of December 13, 1996, Kanematsu owned 61,000 shares of Common Stock and 47,188 shares of Series A Preferred Stock.

ITEM 13. EXHIBITS, LISTS AND REPORTS ON FORM 8-K

- a. 2.3 Recapitalization Plan, dated October 10, 1995. Incorporated by reference to Exhibit 2.3 of the Company's Annual Report on Form 10 KSB for the fiscal year ended September 30, 1995.
- 2.4 Merger Agreement, dated October 10, 1995
- 3.5 Restated Certificate of Incorporation
- 3.6 By-laws. Incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-4 (No. 33-94186)
- 4.8 Specimen Certificate for Common Stock
- 4.9 Specimen Rights Certificate
- 4.10 Warrant Agreement, dated as of March 28, 1996, between QRS 12-16, Inc. and the Company. Incorporated by reference to Exhibit 4.12 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186).
- 4.11 Form of Warrant Agreement among the Company and the individuals listed on Schedule A thereto. Incorporated by reference to Exhibit 4.13 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186).
- 4.12 Warrant Agreement, dated as of December 22, 1995, among the Company and the officers listed on Schedule A thereto. Incorporated by reference to Exhibit 4.14 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186).
- 4.14.1 Amendment to Warrant Agreement, dated June 26, 1996

among the Company and the Warrantholders. Incorporated by reference to Exhibit 4.14.1 to the Company's Quarterly Report on Form 10-QSB for the fiscal quarter ended June 30, 1996.

- 9.1 Voting Trust Agreement, dated as of May 28, 1992, between Kanematsu Corporation, the Company and Michael J. Hollins, incorporated by reference to Exhibit 9.1 of the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.19 Investment Agreement among the Company, Lanxide Precision, Inc., Lanxide Technology Company, L.P., Argentum Capital Partners and Environmental Private Equity Fund II, L.P., dated December 22, 1994. Incorporated by reference to Exhibit 10.19 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.20 Loan and Security Agreement among Alanx Products Inc., the Company and The Delaware Economic Development Authority, dated January 1, 1995. Incorporated by reference to Exhibit 10.20 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.21 Guaranty between the Company and The Delaware Economic Development Authority, dated January 1, 1995, Incorporated by reference to Exhibit 10.21 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.22 License Agreement between the Company and Waupaca Foundry, Inc., dated March 31, 1995. Incorporated by reference to Exhibit 10.22 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.23 License Agreement between the Company and Sturm, Ruger and Company, Inc., dated April 4, 1995. Incorporated by reference to Exhibit 10.23 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.23.1 License Agreement between the Company, Lanxide Technology Company L.P. and Sturm, Ruger and Company, Inc., dated January 5, 1996. Incorporated by reference to Exhibit 10.23.1 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.24 Stock Purchase Agreement among LNX Acquisition Company, the Company and Lanxide Technology Company, dated May 25, 1995. Incorporated by reference to Exhibit 10.24 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.25 Asset Purchase Agreement between Alanx Products Inc. and Alanx Wear Solutions, Inc., dated June 26, 1995. Incorporated by reference to Exhibit 10.25 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.26 Guarantee (Asset Purchase Agreement) between the Company and Alanx Wear Solutions, Inc., dated June 26, 1995. Incorporated by reference to Exhibit 10.26 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.28 Amendment to Note, dated August 15, 1995, between PNC Bank, Delaware and the Company. Incorporated by reference to Exhibit 10.28 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.29 Warrant Agreement between the Company and Bentley Blum, dated July 5, 1995 (included as Exhibit C to Exhibit 10.30). Incorporated by reference to Exhibit 10.29 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.30 Securities Purchase Agreement between the Company and Bentley Blum, dated July 5, 1995. Incorporated by reference to Exhibit 10.30 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.31 Letter Agreement between Alcan and the Company,

- dated July 14, 1995. Incorporated by reference to Exhibit 10.31 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.32 Lease, between the Company and Terrace Realty, Inc. relating to the Company's Forge Drive Facility, dated June 1, 1995. Incorporated by reference to Exhibit 10.32 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.33 Sale of Interest Agreement among DuPont, the Company, and Lanxide Armor Products, Inc., dated June 30, 1995. Incorporated by reference to Exhibit 10.33 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.34 Sale of Interest Agreement among DuPont, the Company, Lanxide Technology Company, L.P., and DLE (1990), Inc., dated June 30, 1995. Incorporated by reference to Exhibit 10.34 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.35 Consent between Kanematsu Corporation and the Company, dated September 18, 1995. Incorporated by reference to Exhibit 10.35 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.36 Amendment to Loan Agreement between the Company and PNC Bank, Delaware, dated September 29, 1995. Incorporated by reference to Exhibit 10.36 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.37 Consent and Waiver between the Company and PNC Bank, Delaware, dated September 29, 1995. Incorporated by reference to Exhibit 10.37 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.40 Contract, dated December 8, 1993, between the Company and the Office of Naval Research and modifications thereto dated March 20, 1995 and June 8, 1995. Incorporated by reference to Exhibit 10.40 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.41 Amendment to Loan Agreement between the Company and PNC Bank, Delaware, dated September 30, 1995. Incorporated by reference to Exhibit 10.41 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.43 1995 Employee Stock Option Plan. Incorporated by reference to Exhibit 10.43 to the Company's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1995.
- 10.44 Deposit Agreement, dated November 1, 1995, between the Company and StockTrans, Inc. Incorporated by reference to Exhibit 10.44 to the Company's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1995.
- 10.45 Exchange Agent Agreement, dated November 8, 1995, between the Company and StockTrans, Inc. Incorporated by reference to Exhibit 10.45 to the Company's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1995.
- 10.46 Escrow Agreement, dated October 13, 1995, between the Company and StockTrans, Inc. Incorporated by reference to Exhibit 10.46 to the Company's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1995.
- 10.47 Amendment to Loan Agreement, dated December 7, 1995, between PNC Bank, Delaware and the Company. Incorporated by reference to Exhibit 10.47 to the Company's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1995.
- 10.48 Registration Rights Agreement, dated November 7, 1995, among the Company, Alcan and Marc S. Newkirk. Incorporated by reference to Exhibit 10.48 to the Company's Annual Report on Form 10-KSB for the fiscal

year ended September 30, 1995.

- 10.49 Special Warranty Deed, dated as of March 28, 1996, from the Company to QRS 12-16, Inc. with respect to the Marrows Road Facility. Incorporated by reference to Exhibit 10.49 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.50 Lease Agreement, dated as of March 28, 1996, between QRS 12-16, Inc., as landlord, and the Company, as tenant. Incorporated by reference to Exhibit 10.50 of the Company's Post- Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.51 Sublease Agreement, dated as of March 28, 1996, between the Company, as landlord, and Lanxide Armor Company, L.P., a Delaware limited partnership (LAC), as subtenant. Incorporated by reference to Exhibit 10.51 of the Company's Post- Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.52 Sublease Agreement, dated as of March 28, 1996, between the Company, as landlord, and DuPont Lanxide Composites, L.P., a Delaware limited partnership (DLC), as subtenant. Incorporated by reference to Exhibit 10.52 of the Company's Post- Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.53 Sublease Agreement, dated as of March 28, 1996, between the Company, as landlord, and Lanxide Electronic Components, Inc., a Delaware corporation (LEC), as subtenant. Incorporated by reference to Exhibit 10.53 of the Company's Post- Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.54 Assignment of Subleases and Rents, dated as of March 28, 1996, between Lanxide and QRS 12-16, Inc. Incorporated by reference to Exhibit 10.54 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.55 Promissory Note, dated as of March 28, 1996, from QRS 12-16, Inc. to the Company. Incorporated by reference to Exhibit 10.55 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.56 Purchase and Sale Agreement, dated as of February 29, 1996, among Nihon Cement Co. Ltd., Lanxide K.K. and Celanx, K.K. Incorporated by reference to Exhibit 10.56 of the Company's Post- Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.57 Form of Settlement Agreement among the Company and the individuals listed on Schedule A thereto. Incorporated by reference to Exhibit 10.57 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.58 Registration Rights Agreement, dated as of April 11, 1996, between Mees Pierson, Inc. and the Company. Incorporated by reference to Exhibit 10.58 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.59.10 Sale of Interest Agreement, dated June 28, 1996, among DuPont, Lanxide Armor Products, Inc. and Lanxide Armor Company, Inc. Incorporated by reference to Exhibit 2.0 of the Company's current report on Form 8-K filed on July 17, 1996.
- 10.59.20 Sale of Interest Agreement, dated June 28, 1996, between DuPont and the Company. Incorporated by reference to Exhibit 2.1 of the Company's current

report on Form 8-K filed on July 17, 1996.

- 10.59.30 Sale of Interest Agreement, dated June 28, 1996, among DuPont, Lanxide Technology Company, L.P. and DuPont Lanxide Composites, Inc. Incorporated by reference to Exhibit 2.2 of the Company's current report on Form 8-K filed on July 17, 1996.
- 10.59.40 Letter Agreement, dated June 28, 1996, between the Company and DuPont relating to the Guaranty Agreement, dated February 11, 1993. Incorporated by reference to Exhibit 10.59 of the Company's current report on Form 8-K filed on July 17, 1996.
- 10.60 Agreement and Plan of Merger, dated November 13, 1996, by and among the Company, Commodore and COES Acquisition Corp. Incorporated by reference to Exhibit 1 to the Company's Current Report on Form 8-K, dated November 13, 1996.
- 10.61 Line of Credit Agreement, dated November 13, 1996, by and between Lanxide Performance Materials, Inc. and Commodore. Incorporated by reference to Exhibit 3 to the Company's Current Report on Form 8-K, dated November 13, 1996.
- 10.62 Line of Credit Promissory Note, dated November 13, 1996, by Lanxide Performance Materials, Inc. in favor of Commodore. Incorporated by reference to Exhibit 4 to the Company's Current Report on Form 8-K, dated November 13, 1996.
- 10.63 Security Agreement, dated November 13, 1996, by and between Lanxide Performance Materials, Inc. and Commodore. Incorporated by reference to Exhibit 5 to the Company's Current Report on Form 8-K, dated November 13, 1996.
- 10.64 Guaranty, dated November 13, 1996, by the Company in favor of Commodore. Incorporated by reference to Exhibit 6 to the Company's Current Report on Form 8-K, dated November 13, 1996.
- 10.65 Letter Agreement, dated November 13, 1996, by and between Lanxide Performance Materials, Inc. and Commodore Applied Technologies, Inc. Incorporated by reference to Exhibit 7 to the Company's Current Report on Form 8-K, dated November 13, 1996.
- 10.66 Joint Development Agreement, dated as of October 25, 1996, by and among Akebono Brake Industry Co., Ltd., Nihon Cement Company Ltd. and the Company.
- 10.67 Joint Venture Agreement, dated as of October 25, 1996 by and among Akebono Brake Industry Co., Ltd., Nihon Cement Company Ltd., Lanxide K.K., Kanematsu Corporation and the Company.
- 21.1 Subsidiaries of the Company.
- 27 Financial Data Schedule

b. Reports on Form 8-K

The Company filed a Current Report on Form 8-K dated November 14, 1995 reporting the consummation of the Recapitalization Plan.

The Company filed a Current Report on Form 8-K dated March 28, 1996 reporting (i) the consummation of the sale and leaseback of the Company's manufacturing facility in Newark, Delaware on March 28, 1996 and (ii) the conversion of the Celanx K.K. joint venture agreement into a licensing arrangement as of March 28, 1996.

The Company filed a Current Report on Form 8-K dated June 28, 1996, reporting the restructuring of its commercial ventures with E. I. Du Pont de Nemours. An Amendment to this Form 8-K was filed on Form 8-K/A on September 17, 1996.

The Company filed a Current Report on Form 8-K dated

September 21, 1996, changing its fiscal year from September 30 to December 31.

The Company filed a Current Report on Form 8-K dated October 2, 1996, reporting the revised structure of the previously announced merger transaction with Commodore Environmental Services.

The Company filed a Current Report on Form 8-K dated October 24, 1996, reporting the determination by the Board of Directors not to change its fiscal year end to December 31.

The Company filed a Current Report on Form 8-K dated November 13, 1996, reporting (i) the execution of the Merger Agreement and (ii) the execution of loan documents between Commodore and Lanxide Performance Materials, Inc.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

<TABLE>
<CAPTION>

Lanxide Corporation	Date
---------------------	------

<S>		<C>
/s/ Marc S. Newkirk		December 30, 1996
By: Marc S. Newkirk		
President and Chief		
Executive Officer		

</TABLE>

Pursuant to the requirements of the Exchange Act, the report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
/s/ Marc S. Newkirk Marc S. Newkirk	President and Chief Executive Officer	December 30, 1996
/s/ Robert J. Ferris Robert J. Ferris	Secretary, Treasurer and Vice President - Administration	December 30, 1996
/s/ Bentley J. Blum Bentley J. Blum	Director	December 30, 1996
/s/ J. Frederick Van Vranken, Jr. J. Frederick Van Vranken, Jr.	Director	December 30, 1996
/s/ Paul E. Hannesson Paul E. Hannesson	Director	December 30, 1996
/s/ Stephen A. Weiss Stephen A. Weiss	Director	December 30, 1996

</TABLE>

EXHIBIT INDEX

Exhibit Number	Description	Sequential Page Number
2.3	Recapitalization Plan, dated October 10, 1995. Incorporated by reference to Exhibit 2.3 of the Company's Annual Report on Form 10 KSB for the fiscal year ended	

September 30, 1995.

- 2.4 Merger Agreement, dated October 10, 1995
- 3.5 Restated Certificate of Incorporation
- 3.6 By-laws. Incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-4 (No. 33-94186)
- 4.8 Specimen Certificate for Common Stock
- 4.9 Specimen Rights Certificate
- 4.10 Warrant Agreement, dated as of March 28, 1996, between QRS 12-16, Inc. and the Company. Incorporated by reference to Exhibit 4.12 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186).
- 4.11 Form of Warrant Agreement among the Company and the individuals listed on Schedule A thereto. Incorporated by reference to Exhibit 4.13 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186).
- 4.12 Warrant Agreement, dated as of December 22, 1995, among the Company and the officers listed on Schedule A thereto. Incorporated by reference to Exhibit 4.14 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186).
- 4.14.1 Amendment to Warrant Agreement, dated June 26, 1996 among the Company and the Warrantholders. Incorporated by reference to Exhibit 4.14.1 to the Company's Quarterly Report on Form 10-QSB for the fiscal quarter ended June 30, 1996.
- 9.1 Voting Trust Agreement, dated as of May 28, 1992, between Kanematsu Corporation, the Company and Michael J. Hollins, incorporated by reference to Exhibit 9.1 of the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.19 Investment Agreement among the Company, Lanxide Precision, Inc., Lanxide Technology Company, L.P., Argentum Capital Partners and Environmental Private Equity Fund II, L.P., dated December 22, 1994. Incorporated by reference to Exhibit 10.19 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.20 Loan and Security Agreement among Alanx Products Inc., the Company and The Delaware Economic Development Authority, dated January 1, 1995. Incorporated by reference to Exhibit 10.20 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.21 Guaranty between the Company and The Delaware Economic Development Authority, dated January 1, 1995, Incorporated by reference to Exhibit 10.21 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.22 License Agreement between the Company and Waupaca Foundry, Inc., dated March 31, 1995. Incorporated by reference to Exhibit 10.22 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.23 License Agreement between the Company and Sturm, Ruger and Company, Inc., dated April 4, 1995. Incorporated by reference to Exhibit 10.23 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.23.1 License Agreement between the Company, Lanxide Technology Company L.P. and Sturm, Ruger and Company, Inc., dated January 5, 1996. Incorporated by reference to Exhibit 10.23.1 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.24 Stock Purchase Agreement among LNX Acquisition Company, the Company and Lanxide Technology Company, dated May 25, 1995. Incorporated by reference to Exhibit 10.24 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.25 Asset Purchase Agreement between Alanx Products Inc. and Alanx Wear Solutions, Inc., dated June 26, 1995. Incorporated by reference to Exhibit 10.25 to the Company's

- 10.26 Guarantee (Asset Purchase Agreement) between the Company and Alanx Wear Solutions, Inc., dated June 26, 1995. Incorporated by reference to Exhibit 10.26 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.28 Amendment to Note, dated August 15, 1995, between PNC Bank, Delaware and the Company. Incorporated by reference to Exhibit 10.28 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.29 Warrant Agreement between the Company and Bentley Blum, dated July 5, 1995 (included as Exhibit C to Exhibit 10.30). Incorporated by reference to Exhibit 10.29 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.30 Securities Purchase Agreement between the Company and Bentley Blum, dated July 5, 1995. Incorporated by reference to Exhibit 10.30 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.31 Letter Agreement between Alcan and the Company, dated July 14, 1995. Incorporated by reference to Exhibit 10.31 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.32 Lease, between the Company and Terrace Realty, Inc. relating to the Company's Forge Drive Facility, dated June 1, 1995. Incorporated by reference to Exhibit 10.32 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.33 Sale of Interest Agreement among DuPont, the Company, and Lanxide Armor Products, Inc., dated June 30, 1995. Incorporated by reference to Exhibit 10.33 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.34 Sale of Interest Agreement among DuPont, the Company, Lanxide Technology Company, L.P., and DLE (1990), Inc., dated June 30, 1995. Incorporated by reference to Exhibit 10.34 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.35 Consent between Kanematsu Corporation and the Company, dated September 18, 1995. Incorporated by reference to Exhibit 10.35 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.36 Amendment to Loan Agreement between the Company and PNC Bank, Delaware, dated September 29, 1995. Incorporated by reference to Exhibit 10.36 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.37 Consent and Waiver between the Company and PNC Bank, Delaware, dated September 29, 1995. Incorporated by reference to Exhibit 10.37 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.40 Contract, dated December 8, 1993, between the Company and the Office of Naval Research and modifications thereto dated March 20, 1995 and June 8, 1995. Incorporated by reference to Exhibit 10.40 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.41 Amendment to Loan Agreement between the Company and PNC Bank, Delaware, dated September 30, 1995. Incorporated by reference to Exhibit 10.41 to the Company's Registration Statement on Form S-4 (No. 33-94186)
- 10.43 1995 Employee Stock Option Plan. Incorporated by reference to Exhibit 10.43 to the Company's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1995.
- 10.44 Deposit Agreement, dated November 1, 1995, between the Company and StockTrans, Inc. Incorporated by reference to Exhibit 10.44 to the Company's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1995.
- 10.45 Exchange Agent Agreement, dated November 8, 1995, between the Company and StockTrans, Inc. Incorporated by reference to Exhibit 10.45 to the Company's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1995.
- 10.46 Escrow Agreement, dated October 13, 1995, between

the Company and StockTrans, Inc. Incorporated by reference to Exhibit 10.46 to the Company's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1995.

- 10.47 Amendment to Loan Agreement, dated December 7, 1995, between PNC Bank, Delaware and the Company. Incorporated by reference to Exhibit 10.47 to the Company's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1995.
- 10.48 Registration Rights Agreement, dated November 7, 1995, among the Company, Alcan and Marc S. Newkirk. Incorporated by reference to Exhibit 10.48 to the Company's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1995.
- 10.49 Special Warranty Deed, dated as of March 28, 1996, from the Company to QRS 12-16, Inc. with respect to the Marrows Road Facility. Incorporated by reference to Exhibit 10.49 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.50 Lease Agreement, dated as of March 28, 1996, between QRS 12-16, Inc., as landlord, and the Company, as tenant. Incorporated by reference to Exhibit 10.50 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.51 Sublease Agreement, dated as of March 28, 1996, between the Company, as landlord, and Lanxide Armor Company, L.P., a Delaware limited partnership (LAC), as subtenant. Incorporated by reference to Exhibit 10.51 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.52 Sublease Agreement, dated as of March 28, 1996, between the Company, as landlord, and DuPont Lanxide Composites, L.P., a Delaware limited partnership (DLC), as subtenant. Incorporated by reference to Exhibit 10.52 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.53 Sublease Agreement, dated as of March 28, 1996, between the Company, as landlord, and Lanxide Electronic Components, Inc., a Delaware corporation (LEC), as subtenant. Incorporated by reference to Exhibit 10.53 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.54 Assignment of Subleases and Rents, dated as of March 28, 1996, between Lanxide and QRS 12-16, Inc. Incorporated by reference to Exhibit 10.54 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.55 Promissory Note, dated as of March 28, 1996, from QRS 12-16, Inc. to the Company. Incorporated by reference to Exhibit 10.55 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.56 Purchase and Sale Agreement, dated as of February 29, 1996, among Nihon Cement Co. Ltd., Lanxide K.K. and Celanx, K.K. Incorporated by reference to Exhibit 10.56 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.57 Form of Settlement Agreement among the Company and the individuals listed on Schedule A thereto. Incorporated by reference to Exhibit 10.57 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.58 Registration Rights Agreement, dated as of April 11, 1996, between Mees Pierson, Inc. and the Company. Incorporated by reference to Exhibit 10.58 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 under cover of Form SB-1 (No. 33-94186)
- 10.59.10 Sale of Interest Agreement, dated June 28, 1996, among DuPont, Lanxide Armor Products, Inc. and Lanxide Armor Company, Inc. Incorporated by reference to Exhibit 2.0 of the Company's current report on Form 8-K filed on July 17, 1996.

- 10.59.20 Sale of Interest Agreement, dated June 28, 1996, between DuPont and the Company. Incorporated by reference to Exhibit 2.1 of the Company's current report on Form 8-K filed on July 17, 1996.
- 10.59.30 Sale of Interest Agreement, dated June 28, 1996, among DuPont, Lanxide Technology Company, L.P. and DuPont Lanxide Composites, Inc. Incorporated by reference to Exhibit 2.2 of the Company's current report on Form 8-K filed on July 17, 1996.
- 10.59.40 Letter Agreement, dated June 28, 1996, between the Company and DuPont relating to the Guaranty Agreement, dated February 11, 1993. Incorporated by reference to Exhibit 10.59 of the Company's current report on Form 8-K filed on July 17, 1996.
- 10.60 Agreement and Plan of Merger, dated November 13, 1996, by and among the Company, Commodore and COES Acquisition Corp. Incorporated by reference to Exhibit 1 to the Company's Current Report on Form 8-K, dated November 13, 1996.
- 10.61 Line of Credit Agreement, dated November 13, 1996, by and between Lanxide Performance Materials, Inc. and Commodore. Incorporated by reference to Exhibit 3 to the Company's Current Report on Form 8-K, dated November 13, 1996.
- 10.62 Line of Credit Promissory Note, dated November 13, 1996, by Lanxide Performance Materials, Inc. in favor of Commodore. Incorporated by reference to Exhibit 4 to the Company's Current Report on Form 8-K, dated November 13, 1996.
- 10.63 Security Agreement, dated November 13, 1996, by and between Lanxide Performance Materials, Inc. and Commodore. Incorporated by reference to Exhibit 5 to the Company's Current Report on Form 8-K, dated November 13, 1996.
- 10.64 Guaranty, dated November 13, 1996, by the Company in favor of Commodore. Incorporated by reference to Exhibit 6 to the Company's Current Report on Form 8-K, dated November 13, 1996.
- 10.65 Letter Agreement, dated November 13, 1996, by and between Lanxide Performance Materials, Inc. and Commodore Applied Technologies, Inc. Incorporated by reference to Exhibit 7 to the Company's Current Report on Form 8-K, dated November 13, 1996.
- 10.66 Joint Development Agreement, dated as of October 25, 1996, by and among Akebono Brake Industry Co., Ltd., Nihon Cement Company Ltd. and the Company.
- 10.67 Joint Venture Agreement, dated as of October 25, 1996 by and among Akebono Brake Industry Co., Ltd., Nihon Cement Company Ltd., Lanxide K.K., Kanematsu Corporation and the Company.
- 21.1 Subsidiaries of the Company.
- 27 Financial Data Schedule

Exhibit 21.1

Subsidiaries of the Company

Name	State of Incorporation
----	-----
Lanxide Performance Materials, Inc.	Delaware
Lanxide Wear Products, Inc.	Delaware
Lanxide Technology Company, L.P.	Delaware
Alanx Capital, Inc.	Delaware
LDC Capital, Inc.	Delaware
Lanxide Electronic Components, Inc.	Delaware
Lanxide K.K.	Japan

LTC Capital, Inc.	Delaware
North American Automotive Capital, Inc.	Delaware
Lanxide Development Company, L. P.	Delaware
Alanx Products Company, L. P.	Delaware
Lanxide Sports International, Inc.	Delaware
Lanxide Surgical Products, Inc.	Delaware
Lanxide Armor Products, Inc.	Delaware
Lanxide Technical Services Corporation	Delaware

<TABLE>
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EXHIBIT 27

FINANCIAL DATA SCHEDULE
(Dollars In Thousands Except Per Share Data)

This Schedule contains summary financial information extracted from the Company's Consolidated Balance Sheet at September 30, 1996 and Consolidated Statement of Operations for the 12 months ended September 30, 1996, and is qualified in its entirety by reference to such financial statements.

<S>	<C>
Period type	12 Mos.
Fiscal year end	September 30, 1996
Period start	October 1, 1995
Period end	September 30, 1996
Cash and cash items	3,458
Marketable securities	0
Notes and accounts receivable - trade	3,133
Allowances for doubtful accounts	(68)
Inventory	1,942
Total current assets	8,921
Property, plant and equipment	23,883
Accumulated depreciation	(13,475)
Total assets	20,160
Total current liabilities	4,554
Bonds, mortgages and similar debt	18,203
Preferred stock - mandatory redemption	213
Preferred stock - no mandatory redemption	11
Common Stock	13
Other stockholders' equity	188,480
Total liabilities and stockholders' equity	20,160
Net sales of tangible products	6,464
Total revenues	18,609
Cost of tangible goods sold	5,706
Total costs and expenses applicable to sales and revenues	9,443
Other costs and expenses	13,369
Provision for doubtful accounts and notes	68

Interest and amortization of debt discount	(1,811)
Income before taxes and other items	1,732
Income tax expense	159
Income/loss continuing operations	1,573
Discontinued operations	0
Extraordinary items	0
Cumulative effect - changes in accounting principles	0
Net income or loss	1,573
Earnings per share - primary	.34
Earnings per share - fully diluted	.29

</TABLE>

JOINT VENTURE AGREEMENT

THIS AGREEMENT is entered into as of October 25, 1996 (the "Effective Date"), by and among Akebono Brake Industry Co., Ltd. ("Akebono"), Nihon Cement Company Ltd. ("Nihon Cement"), Lanxide K.K. ("KK"), and Kanematsu Corporation ("KG"), all corporations chartered under the laws of Japan, and Lanxide Corporation ("Lanxide"), a U.S. corporation chartered under the laws of the State of Delaware (collectively, the "Parties").

WITNESSETH

WHEREAS, certain lightweight ceramic-reinforced aluminum brake components have been developed by Lanxide, and a pilot production line (the "Pilot Line") has been created at Lanxide's Newark, Delaware facilities under a cooperative development program among Lanxide, Nihon Cement, KK and KG; and

WHEREAS, Akebono has marketing knowledge and capability, product design and development capability, volume manufacturing experience and customer credibility in the brake industry; and

WHEREAS, the Parties believe that there may be a large market opportunity for lightweight ceramic-reinforced aluminum brake components in the automotive industry which could be realized upon by a combination of the assets and skills of the Parties;

WHEREAS, the Parties wish to incorporate a new company in Japan for the purpose of manufacturing and marketing lightweight ceramic reinforced brake components.

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

ARTICLE I.

DEFINITIONS

When used in this Agreement, the following terms shall have the respective meanings, set forth below:

1.1 "Affiliate(s)" of a Person means a Person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such Person.

1.2 "Agreement" means this Agreement and the Schedules hereto as amended from time to time.

1.3 "Commercial JV" means the commercial manufacturing and marketing joint venture company defined in Article II Section 2.1 herein.

1.4 "JV Parties" shall mean Akebono, Nihon Cement and KG.

1.5 "LTC" means Lanxide Technology Company, L.P. a Delaware limited partnership wholly owned and controlled by Lanxide.

1.6 "Party" means a party to this Agreement, namely, Akebono, Nihon Cement, Lanxide, KK or KG.

1.7 "Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

1.8 "Products" means products as defined in the document attached to this Agreement as Schedule 1.

ARTICLE II.

COMMERCIAL MANUFACTURING AND MARKETING JOINT VENTURE

2.1 Formation. The JV Parties shall, immediately following the Effective Date, enter into a commercial manufacturing and marketing joint venture (the "Commercial JV") to be licensed in accordance with the provisions of Articles IV, V and VI hereunder. Other than with respect to the provisions of this Article II and Articles IV, V, VI and VII hereunder, such Commercial JV shall be on such terms as the JV Parties shall agree; provided, however, the Parties hereto shall be bound by the obligations hereunder.

2.2 Objectives. The objectives of the Commercial JV shall, except as otherwise agreed by the JV Parties, be to identify customers for Products, provide prototypes of Products to customers, qualify Products with customers for specific vehicle platforms, develop production orders for the Commercial JV from customers, and ultimately to profitably manufacture and sell Products on a large scale commercial basis.

2.3 Initial Capital Contributions. Initial funding for the Commercial JV shall be provided by the respective JV Parties as capital contributions in the amounts and on the dates specified below:

Initial capital contributions provided by Akebono to the Commercial JV:

Date	Amount
October 31, 1996	\$110.25 Million
December 31, 1996	\$110.25 Million

Initial capital contributions provided by Nihon Cement to the Commercial JV:

Date	Amount
October 31, 1996	\$220.5 Million

Initial capital contributions provided by KG to the Commercial JV:

Date	Amount
October 31, 1996	\$24.5 Million
December 31, 1996	\$24.5 Million

The above funding, together with payment receipts by the Commercial JV in connection with Article VII Sections 7.1 and 7.2 hereunder, shall be used by the Commercial JV to pay the amounts specified under Article IV Section 4.1 to Lanxide and the amounts specified under Article V Section 5.1 to KK, and the JV Parties shall cause the Commercial JV to make such payments. The remaining funds shall be used by the Commercial JV as further determined by the JV Parties.

2.4 Ownership Interests in the Commercial JV. The JV Parties shall each have ownership interest in the Commercial JV according to the ratio of their capital contributions.

2.5 Management. Except as stipulated herein, the Commercial JV shall be managed and operated in accordance with the agreement of JV Parties.

ARTICLE III.

PILOT LINE

3.1 Use of Pilot Line. The Parties acknowledge and agree that the Pilot Line will be used by Lanxide to manufacture Products on a best efforts basis to support the initial development of a market for Products outside North America. Fully burdened costs of manufacturing such Products shall be reimbursed to Lanxide by the Commercial JV from revenues charged to customers by the Commercial JV for such Products to the extent of such revenues. In the event that such revenues being charged are forecast to be insufficient to cover the costs of manufacture of such Products for a particular customer, the Parties shall cooperate to attempt to overcome the shortfall. In no event, however, shall Lanxide be construed as obligated hereunder to produce Products for which insufficient funds are provided to cover the costs of making such Products. If and when Lanxide receives orders from the Commercial JV which Lanxide judges to be beyond its then current capacity, the Parties shall consult with each other to determine the disposition of such orders. Lanxide shall have the right to decline to produce orders for the Commercial JV which require specifications and/or deliveries which Lanxide judges to be beyond its then current capability or capacity. The Parties agree that the Commercial JV will have a first

priority call on the full capacity of the Pilot Line to support its market development needs outside North America, and acknowledge that Lanxide will continue to use the Pilot Line for its own needs to the extent that Pilot Line capacity is not then being fully utilized by the Commercial JV, in which case, the incremental costs associated with such use by Lanxide shall be borne by Lanxide.

ARTICLE IV

LANXIDE LICENSE TO COMMERCIAL JV

4.1 Lanxide License Fee and License Execution. The Commercial JV shall pay a license fee of \$4,000,000 in U.S. dollars to Lanxide pursuant to the license agreement attached hereto as Exhibit A (the "Lanxide License"), according to the following schedule:

Date	Amount
November 15, 1996	\$4,000,000

In consideration of the commitments herein, Lanxide shall execute and shall cause its Affiliate LTC to execute the Lanxide License, subject to its further terms specified therein.

ARTICLE V.

KK LICENSE TO COMMERCIAL JV

5.1 KK Fee and License Execution. The Commercial JV shall pay an initial license fee to KK in Japanese Yen in an amount equal to \$4,000,000 in U.S. dollars, according to the following schedule, plus the amount of any consumption tax in Japan:

Date	Amount
November 15, 1996	\$1,000,000
December 31, 1996	\$1,000,000
June 30, 1997	\$1,000,000
December 31, 1997	\$1,000,000

In consideration of the payment commitments herein, KK shall enter into the license agreement (the "KK License") attached hereto as Exhibit B, subject to its further terms specified therein.

ARTICLE VI.

EXCLUSIVE MANUFACTURING LICENSE OPTION

6.1 In the event that the JV Parties commit to Lanxide in writing prior to September 30, 1997 to fund the Commercial JV with \$4,000,000 in U.S. dollars in addition to their initial capital

contributions described in Article II hereof on or before September 30, 1998, each in proportion to their then ownership interest in the Commercial JV, and b) the Commercial JV commits to Lanxide in writing prior to September 30, 1997 to execute the exclusive manufacturing license option and pay \$4,000,000 to Lanxide on or before September 30, 1998, Lanxide agrees that in consideration thereof that it will execute and cause its Affiliate LTC to execute the license agreement attached hereto as Exhibit C.

ARTICLE VII.

R&D SUBLICENSES

7.1 Sublicense Fee and R&D Sublicense to Akebono. Akebono shall pay a sublicense fee of the Yen equivalent of \$2,000,000 U.S. dollars to the Commercial JV, according to the following schedule, plus the amount of any consumption tax in Japan:

Date	Amount
June 30, 1997	\$1,000,000
December 31, 1997	\$1,000,000

In consideration of the payment commitments herein, the Commercial JV shall enter into the sublicense agreement (the "Akebono R&D Sublicense") attached hereto as Exhibit D, subject to its further terms specified therein.

7.2 Sublicense Fee and R&D Sublicense to Nihon Cement. Nihon Cement shall pay a sublicense fee of the Yen equivalent of \$2,000,000 U.S. dollars to the Commercial JV, according to the following schedule, plus the amount of any consumption tax in Japan:

Date	Amount
November 15, 1996	\$2,000,000

In consideration of the payment commitments herein, the Commercial JV shall enter into the sublicense agreement (the "Nihon Cement R&D Sublicense") attached hereto as Exhibit E, subject to its further terms specified therein.

ARTICLE VIII.

REPRESENTATIONS AND WARRANTIES

The Parties hereby make the following representations and warranties to each other:

8.1 Valid and Binding Agreement. Each of the Parties has all requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. This Agreement, the Exhibits hereto, and all other agreements required to consummate the

transactions contemplated hereunder, to the extent they are obligations of any of the Parties, have all been duly executed and delivered by them and constitute the legal, valid and binding obligations of them, enforceable against them individually and collectively in accordance with their respective terms.

8.2 Organization, Good Standing and Qualification. Akebono, Nihon Cement, KK and KG: (a) are corporations duly organized, validly existing and in good standing under the laws of Japan; (b) have all necessary corporate power and authority to carry on its respective business and to own, lease and operate its properties.

Lanxide: (a) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware; (b) has all necessary corporate power and authority to carry on its respective business and to own, lease and operate its properties; and (c) is not required, by the nature of its properties or business, to be qualified to do business as a foreign entity or corporation in any foreign jurisdiction, other than to the extent that such qualification may be legally required in Japan.

ARTICLE IX.

CONFIDENTIALITY.

9.1 Each Party shall treat as confidential any and all proprietary information which such Party obtains from the other Parties directly or indirectly in connection with this Agreement, and shall not disclose the same to any third Person (other than Affiliates to the extent they are similarly bound) without the prior written consent of the other Parties nor use the same except as provided in this Agreement; provided however, that each receiving Party may disclose such information to its employees, to the extent necessary. In such case, each receiving Party shall cause its employees which received such information to comply with the provisions of this Article IX. The obligations provided for in this Article IX shall remain in effect during the term of this Agreement and for a period of five (5) years after the termination or expiration hereof.

9.2 The provisions of Article IX Section 9.1 shall not apply to any proprietary information that (i) has become generally available to the public through no fault of the receiving Party or its employees, (ii) the receiving Party can prove by clear and convincing documentary evidence was in its possession before disclosure hereunder and did not come directly or indirectly from the disclosing Party, (iii) becomes known to the receiving Party through lawful disclosure from a third party that is not subject to a confidentiality agreement with the disclosing Party or Affiliate, or (iv) the receiving Party can prove by clear and convincing documentary evidence has been or is developed by the receiving Party independent of any such proprietary information disclosed by the disclosing Party.

ARTICLE X.

TERM.

10.1 Except as otherwise agreed by the JV Parties, unless earlier terminated pursuant to Article XI below, the effective term of this Agreement shall be perpetual and non cancellable.

ARTICLE XI.

TERMINATION.

11.1 If any Party breaches this Agreement, and such breach is not cured within thirty (30) days after receipt by the Party in breach of written notice from one of the other Parties specifying the nature of the breach, such notice to be given simultaneously to all Parties, such other Party giving notice of breach shall have the right to terminate this Agreement by giving written notice thereof to the Party in breach and the other Parties.

11.2 Any Party hereto may terminate this Agreement by giving written notice of termination to the other Parties in the event of any of the following events:

(a) upon or after filing by another Party of a petition in bankruptcy or insolvency;

(b) upon or after any adjudication that another Party is bankrupt or insolvent;

(c) upon or after the filing by another Party of any petition seeking reorganization, readjustment or arrangement of the business of such other Party under any law;

(d) upon or after the appointment of a receiver for all or substantially all of the property of another Party;

(e) upon or after the institution of any proceedings for the liquidation or winding up of the business of another Party;

(f) upon termination of the Commercial JV agreement in Japanese among the JV Parties of even date hereof and as amended from time to time; or

(g) upon the failure to perform any part of this Agreement by any Party due to force majeure, in the event such failure should continue for six (6) months. Provided, however, subparagraph 11.2(f) shall be effective and valid only after all payment obligations of JV Parties and Commercial JV hereunder are fully performed in accordance with this Agreement.

11.3 No failure or delay on the part of any Party hereto in exercising its right of termination hereunder for any one or more causes shall be construed to prejudice its right of termination for such or for

any other or subsequent cause.

11.4 In the event that any of the payment obligations of the Parties under this Agreement is not performed at the time of termination of this Agreement due to breach of this Agreement by any Party ("Defaulting Party") or because of bankruptcy, insolvency, reorganization, receivership or winding up the business of any Party ("Non-performing Party"), the payment obligation of such Defaulting Party or Non-performing Party shall survive the termination and such Defaulting Party or Non-performing Party shall forthwith make full payment of such payment obligation. The Parties agree that any delayed payment shall bear interest at a rate of 5% per annum.

11.5 In the event that Lanxide ceases to carry on business, becomes or is declared insolvent, files or has filed against it a petition in bankruptcy, has a receiver appointed over its assets, or takes or has taken against it any similar act as a result of debt, as a result of action or inaction by some Person other than Commercial JV or a Person controlled by Commercial JV; Commercial JV shall take measures under applicable laws, and K.K. shall assist Commercial JV in such measures, to retain all its rights under the license stipulated in Exhibits A and C, and under any agreement supplementary to Exhibits A and C, as such rights existed immediately before the happening of such an event for a term equal to any remaining duration of Exhibits A and C (including all extensions) in accordance with the Bankruptcy Code of 1978 as amended, Section 365 (n) (1) (B).

ARTICLE XII.

FORCE MAJEURE.

12.1 No Party shall be responsible for or liable for failure to perform any part of this Agreement or for any delay in the performance of any part of this Agreement resulting from or contributed to by acts of God, war, riots or other incident of force majeure or the adoption or enactment of any law, ordinance, regulation, ruling or order directly or indirectly interfering with any performance hereof or payment hereunder. Should a Party encounter difficulty or threat of failure of the performance of any part of this Agreement for any reason including force majeure, the affected Party shall inform the other Parties of the situation with reasonable promptness and the Parties shall discuss and cooperate to resolve such problems. However, if such failure due to force majeure by any Party to perform any part of this Agreement should continue for six (6) months, any other Party shall have the right to terminate this Agreement.

ARTICLE XIII.

ARBITRATION.

13.1 Any and all disputes, controversies or differences arising from or in relation to or in connection with this Agreement or a

transaction conducted under this Agreement shall be settled by mutual consultation among the Parties in good faith as promptly as possible, but failing an amicable settlement, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of The International Chamber of Commerce, by which each Party agrees to be bound. The arbitration shall be held at a place mutually agreed to by the Parties, but if they fail to agree within thirty (30) days after demand for arbitration by any Party, the arbitration shall be held in Tokyo, Japan, if arbitration is requested by Lanxide or Lanxide KK, and in New York, New York, U.S.A., if arbitration is requested by Akebono, Nihon Cement or KG. The award of the arbitrators shall be final and binding upon the Parties.

ARTICLE XIV.

MISCELLANEOUS.

14.1 Effect of Headings. The Article and Section headings used in this Agreement and the titles of the Schedules and Exhibits hereto are included for purposes of convenience only, and shall not affect the construction or interpretation of any of the provisions hereof or of the information set forth in such Articles, Sections, Schedules and Exhibits.

14.2 Entire Agreement, Waivers. This Agreement constitutes the entire agreement among the Parties pertaining to the subject matter hereof, and supersedes all prior agreements or understandings as to such subject matter. No Party hereto has made any representation or warranty or given any covenant to the other except as set forth in this Agreement and the Schedules and any executed Exhibits hereto. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provisions, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the Party making the waiver.

14.3 Counterparts. This Agreement may be executed simultaneously in any number of English language counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

14.4 Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (i) on the date of service if served personally on the Party to whom notice is to be given, or if given by facsimile transmission to the number indicated below, or (ii) on the third day after mailing if mailed to the Party to whom notice is to be given, by first class mail, registered or certified, postage prepaid, and properly addressed as follows:

(a) If to Akebono:

Akebono Brake Industry Co., Ltd.
19-5, Nihonbashi Koamicho

Chuo-ku
Tokyo 103, Japan
FAX: 03-3668-7260
Attention: Manager, Corporate Planning Dept.

(b) If to Nihon Cement:

Nihon Cement Co., Ltd.
Ohtemachi Building
6-1, Ohtemachi 1-chome
Chiyoda-ku
Tokyo 100, Japan
FAX: 03-3211-1624
Attention: General Manager of First Development Dept.

(c) If to KK:

Lanxide K.K.
2-2-22, Shiba-koen
Minato-ku
Tokyo 105, Japan
FAX: 03-3432-3045
Attention: President

(d) If to KG:

Kanematsu Corporation
2-1, Shibaura 1-chome
Minato-ku
Tokyo 105-05, Japan
FAX: 03-5440-6526
Attention: General Manager, Iron and Steel Division

(e) If to Lanxide:

Lanxide Corporation
1300, Marrows Road
P.O. Box 6077
Newark, Delaware 19714-6077
USA
FAX: (302)-454-1712
Attention: President

or to such other address as any party shall have specified by notice in writing given to the other Parties.

14.5 Amendments and Modifications. No amendment or modification of this Agreement or any Schedule or Exhibit hereto shall be valid unless made in writing and signed by an authorized representative of each of the relevant Parties.

14.6 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective heirs, executors, administrators, personal representatives, successors and permitted assignees.

14.7 Governing Law: Jurisdiction. This Agreement shall be construed and interpreted and the rights granted herein shall be governed in accordance with the laws of Japan.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date above first written.

AKEBONO BRAKE INDUSTRY CO., LTD.

By: /s/ Misataka Nibumoto
Name: Misataka Nibumoto
Title: President & CEO

NIHON CEMENT CO. LTD.

By: Michio Kimura
Name: Michio Kimura
Title: President

LANXIDE K. K.

By: Marc S. Newkirk
Name: Marc S. Newkirk
Title: President

KANEMATSU CORPORATION

By: /s/ T. Matsuyoshi
Name: T. Matsuyoshi
Title: Managing Director

LANXIDE CORPORATION

By: /s/ Marc S. Newkirk
Name: Marc S. Newkirk
Title: President

SCHEDULE 1

"Products" shall mean brake rotors, brake drums, brake shoes, brake pistons, brake caliper bodies, brake pad backing plates, brake caliper anchors, steering knuckles, drum brake back plates, brake torque anchor support plates, disc brake back plates, wheel hubs, brake dust shields, brake modulator housings, brake pressure control valve housings, wheel brake cylinder housings, and brake master cylinder housings, all made only from Ceramic-Reinforced Aluminum for use only on passenger cars, trucks, buses, trailers, motorcycles, railroad locomotives, railroad rolling stock and industrial equipment.

A JOINT DEVELOPMENT AGREEMENT

THIS AGREEMENT is entered into as of October 25, 1996 (the "Effective Date"), by and among Akebono Brake Industry Co., Ltd. ("Akebono"), and Nihon Cement Company Ltd. ("Nihon Cement"), corporations chartered under the laws of Japan, and Lanxide Corporation ("Lanxide"), a U.S. corporation chartered under the laws of the State of Delaware (collectively, the "Parties").

WITNESSETH

WHEREAS, certain lightweight ceramic-reinforced aluminum brake components have been developed by Lanxide, and a pilot production line (the "Pilot Line") has been created at Lanxide's Newark, Delaware facilities under a previous cooperative development program among Lanxide, Lanxide Kabushiki Kaisha, Nihon Cement, and Kanematsu Corporation; and

WHEREAS, Akebono has marketing knowledge and capability, product design and development capability, volume manufacturing experience and customer credibility in the brake industry; and

WHEREAS, the Parties believe that there may be a large market opportunity for lightweight ceramic-reinforced aluminum brake components in the automotive industry which could be realized upon by a combination of the assets and skills of the Parties;

WHEREAS, Akebono, Nihon Cement, and Kanematsu Corporation will establish a new company in Japan for the purpose of commercially manufacturing certain products applying technology developed in accordance with this Agreement (the "Commercial JV").

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

ARTICLE I.
DEFINITIONS

When used in this Agreement, the following terms shall have the respective meanings, set forth below:

1.1 "Affiliate(s)" of a Person means a Person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such Person.

1.2 "Agreement" means this Agreement and the Schedules hereto as amended from time to time.

1.3 "Party" means a party to this Agreement, namely, Akebono, Nihon Cement, or Lanxide.

1.4 "Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political

subdivision thereof.

1.5 "Products" means products as defined in the document attached to this Agreement as Schedule B.

1.6 "Technology" means technical information, know-how, data, techniques whether patentable or not, patents, patent applications and proprietary information of a Party with respect to the Products.

1.7 Undivided Interest means that each Party having an ownership interest in Joint Technology shall have the right to use the Joint Technology on a worldwide basis for any purpose, to assign its interest in the Joint Technology in whole or in part, and to license the Joint Technology with or without rights to sublicense on any terms acceptable to itself, all without the permission of any of the other Parties having an ownership interest.

ARTICLE II.

JOINT TECHNICAL PROGRAM

2.1 Term. A joint technical development program (the "Program") will be undertaken by the Parties commencing with the Effective Date and continuing for two years from the Effective Date; provided, however, the Lanxide tasks defined in section 2.3 hereunder shall be considered to have commenced as of October 1, 1996, subject to the approval of the Parties.

2.2 Objectives. The objectives of the Program are to further develop Products, improve manufacturing efficiencies and reduce manufacturing costs of Products using the Pilot Line. Specific Program goals concerning the priority of Products to be developed, process yield and productivity objectives, and tolerance objectives for specific Products and process steps will be discussed and decided collectively among the Parties as the first task of the Program. Such goals and their priority shall be revised from time to time by the Parties and changed when appropriate based upon periodic review of the Program and market needs.

2.3 Tasks. The tasks of the Program are described in Schedules A-1, A-2 and A-3 attached hereto, subject to such revision from time to time over the term of this Agreement as the Parties may mutually agree.

2.4 Performance. The tasks which are described in Schedule A-1 shall be performed by Lanxide a) on a best efforts basis using Lanxide's Technology including future improvements as they arise., and b) subject to such revision from time to time over the term of this Agreement as the Parties may mutually agree.

The tasks which are described in Schedule A-2 shall be performed by Akebono a) on a best efforts basis, and b) subject to such revision from time to time over the term of this Agreement as the Parties may mutually agree.

The tasks which are described in Schedule A-3 shall be performed by Nihon Cement a) on a best efforts basis, and b) subject to such revision from time to time over the term of this Agreement as the Parties may mutually agree.

2.5 Funding. Akebono, Nihon Cement and Lanxide shall jointly develop the Program which shall be revised when and as desired by the Parties and approved in advance by the Parties. Lanxide shall (a) follow the reasonable instructions of the other Parties in case the proposed revision to the Program plan is not approved unanimously by the Parties and is rejected in advance by the Parties, provided however that such reasonable instructions being given by the other Parties are mutually consistent, and (b) require the written consent of the other Parties to incorporate any Technology into the Program that Lanxide believes at the time of such incorporation would require the payment of royalty to a third party. The costs to be incurred by Lanxide in connection with its performance under Article II Section 2.4 hereunder shall be paid by Akebono and Nihon Cement, respectively, to Lanxide in U.S. dollars according to the following schedule:

To be paid by Akebono to Lanxide:

Date	Amount
October 31, 1996	\$250,000
March 31, 1997	\$250,000
September 30, 1997	\$250,000
March 31, 1998	\$250,000

To be paid by Nihon Cement to Lanxide:

Date	Amount
October 31, 1996	\$750,000
March 31, 1997	\$750,000
September 30, 1997	\$750,000
March 31, 1998	\$750,000

Any additional cost incurred by Lanxide in connection with its performance under Article II Section 2.4 hereunder shall be borne by Lanxide.

With respect to costs incurred by Akebono in connection with its performance under Article II Section 2.4 herein, such costs shall be borne by Akebono. The level of fully burdened effort (computed in accordance with Generally Accepted Accounting Principles (GAAP)) conducted by Akebono in performing the tasks in Schedule A-2 herein shall be according to the following schedule:

Date	Amount
------	--------

October 25, 1996 to October 24, 1997	\$1,000,000
October 25, 1997 to October 24, 1998	\$1,000,000

With respect to costs incurred by Nihon Cement in connection with its performance under Article II Section 2.4 herein, such costs shall be borne by Nihon Cement.

2.6 Pilot Line. The Parties acknowledge and agree that the Pilot Line will be used by Lanxide to further develop Products, improve manufacturing efficiencies and reduce manufacturing costs of Products. Fully burdened costs of such activity shall be charged by Lanxide against the funding provided to Lanxide under Article II Section 2.5 hereunder in a manner consistent with Generally Accepted Accounting Principles (GAAP) to the extent of such funding. The Parties acknowledge that Lanxide will continue to use the Pilot Line for its own needs to the extent that Pilot Line capacity is not then being fully utilized by the Program, in which case, the incremental costs associated with such use by Lanxide shall be borne by Lanxide.

ARTICLE III.

REPRESENTATIONS AND WARRANTIES

The Parties hereby make the following representations and warranties to each other:

3.1 Valid and Binding Agreement. Each of the Parties has all requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Parties and constitutes legal, valid and binding obligations, enforceable against them individually and collectively in accordance with its respective terms.

3.2 Organization, Good Standing and Qualification. Akebono and Nihon Cement: (a) are corporations duly organized, validly existing and in good standing under the laws of Japan; (b) have all necessary corporate power and authority to carry on its respective business and to own, lease and operate its properties.

Lanxide: (a) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware; (b) has all necessary corporate power and authority to carry on its respective business and to own, lease and operate its properties; and (c) is not required, by the nature of its properties or business, to be qualified to do business as a foreign entity or corporation in any foreign jurisdiction, other than to the extent that such qualification may be legally required in Japan.

ARTICLE IV.

REPORT ON DEVELOPMENT.

4.1 Lanxide and Akebono shall each, during the term of this Agreement, submit to the other Parties a monthly written report in connection with their progress in connection with the Program, as well as setting forth an accounting of the costs and expenses incurred therefor. Nihon Cement shall also, during the term of this Agreement, submit to the other Parties a monthly written report in connection with its activities in connection with the Program. In addition, Lanxide shall meet weekly with Akebono and Nihon Cement engineers to report on Lanxide's progress on the Program tasks. Such meeting shall include furnishing a brief, unofficial summary report, of significant events occurring in the Program over the past week.

ARTICLE V.

DISPATCH OF ENGINEERS.

5.1 Akebono and Nihon Cement may, whenever they so desire during the term of this Agreement upon reasonable prior notice, dispatch one or more of their engineers to the facilities of Lanxide for the purpose of study and discussion with respect to the development and manufacture of the Products. Lanxide shall use its best efforts to cooperate in the training of such engineers. The salary and costs (including travel expenses and living expenses) for such engineers shall be borne by Akebono and Nihon Cement each for their respective engineers.

ARTICLE VI.

INTELLECTUAL PROPERTY RIGHTS.

6.1 Lanxide shall have the right to file patent and other intellectual property applications in any jurisdiction with respect to developments made solely by Lanxide or its employees pursuant to the performance of its obligations hereunder. The costs of obtaining, maintaining and defending all such patents and other intellectual property right shall be borne solely by Lanxide.

6.2 The Parties agree that any and all inventions made jointly by any of the Parties hereunder during the term of this Agreement in connection with the performance of this Agreement (hereinafter referred to as the "Joint Technology") will be owned jointly by those Parties who jointly made the respective inventions, each with an Undivided Interest. The costs of obtaining, maintaining and defending all intellectual property represented by the Joint Technology shall be borne equally, to the extent that each Party wishes to preserve its specific rights in each specific case. Any and all inventions made by Lanxide using the funding provided to Lanxide under Article II Section 2.5 shall be deemed as Joint Technology made jointly by Lanxide, Akebono and Nihon Cement and therefore shall be owned jointly by the Parties, each with an Undivided Interest. Any Party wishing to make a patent application in relation to any Joint Technology shall first notify those Parties who jointly own

such Joint Technology. The decision to make a patent application, and all relevant details thereof, shall be determined upon mutual discussion between/among those Parties whose employees invented such Joint Technology. All expenses relating to the filing and maintenance of such patent application (including but not limited to all patent attorney's expenses and all maintenance fees) shall be borne by those Parties who jointly own such Joint Technology. Any such patent application shall name Lanxide, Akebono and Nihon Cement as joint owners or joint assignees.

6.3 Akebono and Nihon Cement agree to grant, and hereby grant to Commercial JV a full world-wide, royalty free, perpetual, irrevocable, non-exclusive license to make, use and sell Products made using Joint Technology in any manner, with full rights to Commercial JV to grant sublicenses of Joint Technology, without the prior written notice to the Parties.

6.4 Any data and know-how derived by Akebono concerning performance of ceramic-reinforced aluminum brake system components shall be produced at Akebono's own expense, and shall be the sole property of Akebono and shall not be considered to be part of the Program, or subject to the provisions of this Article VI.

6.5 Any data and know-how derived by Akebono concerning composition or performance of brake friction materials shall be considered to be the sole property of Akebono, and shall not be considered to be part of the Program, or subject to the provisions of this Article VI.

ARTICLE VII.

CONFIDENTIALITY.

7.1 Each Party shall treat as confidential any and all proprietary information which such Party obtains from the other Parties directly or indirectly in connection with this Agreement, and shall not disclose the same to any third Person (other than Affiliates to the extent they are similarly bound) without the prior written consent of the other Parties nor use the same except as provided in this Agreement; provided however, that each receiving Party may disclose such information to its employees, to the extent necessary. In such case, each receiving Party shall cause its employees which received such information to comply with the provisions of this Article VII. The obligations provided for in this Article VII shall remain in effect during the term of this Agreement and for a period of five (5) years after the termination or expiration hereof.

7.2 The provisions of Article VII Section 7.1 shall not apply to any proprietary information that (i) has become generally available to the public through no fault of the receiving Party or its employees, (ii) the receiving Party can prove by clear and convincing documentary evidence was in its possession before disclosure hereunder and did not come directly or indirectly from the disclosing Party, (iii) becomes known to the receiving Party through lawful disclosure from a third party that is not subject to a

confidentiality agreement with the disclosing Party or Affiliate, or (iv) the receiving Party can prove by clear and convincing documentary evidence has been or is developed by the receiving Party independent of any such proprietary information disclosed by the disclosing Party.

ARTICLE VIII.

TERM.

8.1 Except as otherwise agreed by the Parties, unless earlier terminated pursuant to Article IX below, the term of this Agreement shall be two (2) years commencing on the Effective Date.

ARTICLE IX.

TERMINATION.

9.1 If any Party breaches this Agreement, and such breach is not cured within thirty (30) days after receipt by the Party in breach of written notice from one of the other Parties specifying the nature of the breach, such notice to be given simultaneously to all Parties, such other Party giving notice of breach shall have the right to terminate this Agreement by giving written notice thereof to the Party in breach and the other Parties.

9.2 Any Party hereto may terminate this Agreement by giving written notice of termination to the other Parties in the event of any of the following events:

- (a) upon or after filing by another Party of a petition in bankruptcy or insolvency;
- (b) upon or after any adjudication that another Party is bankrupt or insolvent;
- (c) upon or after the filing by another Party of any petition seeking reorganization, readjustment or arrangement of the business of such other Party under any law;
- (d) upon or after the appointment of a receiver for all or substantially all of the property of another Party;
- (e) upon or after the institution of any proceedings for the liquidation or winding up of the business of another Party; or
- (f) upon the failure to perform any part of this Agreement by any Party due to force majeure, in the event such failure should continue for six (6) months.

9.3 No failure or delay on the part of any Party hereto in exercising its right of termination hereunder for any one or more causes

shall be construed to prejudice its right of termination for such or for any other or subsequent cause. Termination of this Agreement shall not affect the continued enforceability of Article VI and Article VII.

ARTICLE X.

FORCE MAJEURE.

10.1 No Party shall be responsible for or liable for failure to perform any part of this Agreement or for any delay in the performance of any part of this Agreement resulting from or contributed to by acts of God, war, riots or other incident of force majeure or the adoption or enactment of any law, ordinance, regulation, ruling or order directly or indirectly interfering with any performance hereof or payment hereunder. Should a Party encounter difficulty or threat of failure of the performance of any part of this Agreement for any reason including force majeure, the affected Party shall inform the other Parties of the situation with reasonable promptness and the Parties shall discuss and cooperate to resolve such problems.

ARTICLE XI.

ARBITRATION.

11.1 Any and all disputes, controversies or differences arising from or in relation to or in connection with this Agreement or a transaction conducted under this Agreement shall be settled by mutual consultation among the Parties in good faith as promptly as possible, but failing an amicable settlement, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of The International Chamber of Commerce, by which each Party agrees to be bound. The arbitration shall be held at a place mutually agreed to by the Parties, but if they fail to agree within thirty (30) days after demand for arbitration by either Party, the arbitration shall be held in Tokyo, Japan, if arbitration is requested by Lanxide, and in New York, New York, U.S.A., if arbitration is requested by Akebono or Nihon Cement. The award of the arbitrators shall be final and binding upon the Parties.

ARTICLE XII.

MISCELLANEOUS.

12.1 Effect of Headings. The Section headings used in this Agreement and the titles of the Schedules hereto are included for purposes of convenience only, and shall not affect the construction or interpretation of any of the provisions hereof or of the information set forth in such Schedules.

12.2 Entire Agreement, Waivers. This Agreement constitutes the entire agreement among the Parties pertaining to the subject matter hereof, and supersedes all prior agreements or understandings as to such subject

matter. No Party hereto has made any representation or warranty or given any covenant to the other except as set forth in this Agreement and the Schedules hereto. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provisions, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the Party making the waiver.

12.3 Counterparts. This Agreement may be executed simultaneously in any number of English language counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

12.4 Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (i) on the date of service if served personally on the Party to whom notice is to be given, or if given by facsimile transmission to the number indicated below, or (ii) on the third day after mailing if mailed to the Party to whom notice is to be given, by first class mail, registered or certified, postage prepaid, and properly addressed as follows:

a) If to Akebono:

Akebono Brake Industry Co., Ltd.
19-5, Nihonbashi Koamicho,
Chuo-ku
Tokyo 103, Japan
FAX: 03-3668-7260
Attention: Manager, Corporate Planning Dept.

(b) If to Nihon Cement:

Nihon Cement Co., Ltd.
Ohtemachi Building
6-1, Ohtemachi 1-chome
Chiyoda-ku
Tokyo 100, Japan
FAX: 03-3211-1624
Attention: General Manager of First Development Dept.

(c) If to Lanxide:

Lanxide Corporation
1300, Marrows Road
P.O. Box 6077
Newark, Delaware 19714-6077
USA
FAX: (302) 454-1712
Attention: President

or to such other address as any party shall have specified by notice in writing given to the other Parties.

12.5 Amendments and Modifications. No amendment or modification of this Agreement or any Schedule hereto shall be valid unless made in writing and signed by all Parties.

12.6 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective heirs, executors, administrators, personal representatives, successors and permitted assignees.

12.7 Governing Law: Jurisdiction. This Agreement shall be construed and interpreted and the rights granted herein shall be governed in accordance with the laws of the State of Delaware, United States of America.

12.8 Assignability. This Agreement shall be binding upon and inure to the benefit of the permitted successors and assigns of each Party hereto. Neither this Agreement nor any right or obligation hereunder may be assigned or delegated in whole or in part by any Party without the prior written consent of the other Parties.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date above first written.

AKEBONO BRAKE INDUSTRY CO., LTD.

By: /s/ Misataka Nobumoto
Name: Misataka Nobumoto
Title: President & CEO

NIHON CEMENT CO. LTD.

By: /s/ Michio Kimura
Name: Michio Kimura
Title: President

LANXIDE CORPORATION

By: /s/ Marc S. Newkirk
Name: Marc S. Newkirk
Title: President

SCHEDULE A-1

Joint Development Program - LANXIDE TASKS

Lanxide shall be mainly responsible for materials and process technology development, prototype fabrication and Pilot Line operation.

JOINT DEVELOPMENT PROGRAM

DETAIL PLAN DEVELOPMENT

The first activity in this plan will be to review the preliminary plan and revise the plan as appropriate.

ROTORS

The development plan for rotors will focus on vented rotors. The major activities in this vented rotor development plan are: process improvement, product improvements, cost reduction, and development of machining/grinding practices. Process improvement activities would consist of developing a cost effective method for producing the vented preforms and mix optimization for higher green strength and for improved blow mold die filling. Options for producing vented preforms could be cores used in a blow molding machine, blow molding two pieces and joining, and blow molding dies designed with retractable fingers. Product improvement activities would be directed toward improving operating temperatures, etc. in order for aluminum MMC rotors to meet the specifications for a larger number of platforms. Efforts would continue in the area of cost reduction. Each of the existing operations would be evaluated and re-engineered if necessary to reduce operational cost and improve yields. This process would be done with the objective of process scale-up. Improvements in near net shape of the preforms would be addressed in the work to develop green machining/grinding. This would produce a preform close enough to final dimensions such that grinding of the composite becomes feasible. When the green machining/grinding technique was developed equipment would be purchased and added to the rotor line. The grinding process for the composite will be developed and equipment acquired to add this operation to the rotor line.

CALIPER PISTONS

The current process for making caliper pistons is by compression molding using a mix which contains Mg powder and Ceraset as a binder. This mix is not free flowing and requires vibration of the hot die prior to pressing in order to provide for complete die fill. It could be possible to produce this part without Mg powder and Ceraset in the mix if a different approach to infiltration were taken.

The initial activities for the caliper piston process development would be develop a free flowing powder which contains Mg powder and Ceraset, evaluate preform fabrication methods which could be used with the Mg and Ceraset containing mixes as well as those methods which could be used for mixed which did not contain Mg powder and Ceraset. These activities would be done in parallel. As soon as one approach demonstrated superiority, work will be concentrated on the this method. When the preform fabrication method is selected, interaction with the preform fabrication equipment builder would begin.

Development of green machining or grinding would be required. It

might be possible to adapt the process developed for rotors. However, the preforms will be made from different fillers and be of different loading. These will have an influence on green machinability. Finally, process scale-up and cost reduction activities will be started in the second year. These activities will continue into year three.

BRAKE CALIPER BODIES & BRACKETS

Brake caliper bodies and brackets will require the most development work of any product in this program. The initial focus will be to evaluate preform fabrication methods. Shape complexity, reinforcement loading (stiffness) and reinforcement particle size (strength) must be considered in selecting the method of preform fabrication. Methods such as blow molding and slurry casting will be evaluated. Both approaches allow for the incorporation of Mg powder and Ceraset into the preform. However, the reinforcement particle size and loading achievable differs. These two methods as well as any other potential approach will be evaluated and down select will be made. Once a method is selected, equipment will be specified and purchased. The selected method will be optimized. The scale-up process and process cost reduction activities will start during the second year and continue through year three.

LOW VOLUME PRODUCTION INTENT PROTOTYPE PROCESS DEVELOPMENT

During the first two quarters of year one, a process(es) will be developed to economically produce small quantities of prototype parts by a production intent process. These parts will be used for validation testing, etc.

SCHEDULE A-2

Joint Development Program - AKEBONO TASKS

Akebono shall be mainly responsible for product design and development, including evaluation and volume production systems.

SCHEDULE A-3

Joint Development Program - NIHON CEMENT TASKS

Nihon Cement shall be mainly responsible for supporting technologies bridging between materials and process technology and volume production.

SCHEDULE B

"Products" shall mean brake rotors, brake drums, brake shoes, brake pistons, brake caliper bodies, brake pad backing plates, brake caliper anchors, steering knuckles, drum brake back plates, brake torque anchor support plates, disc brake back plates, wheel hubs, brake dust shields, brake modulator housings, brake pressure control valve housings, wheel brake cylinder housings, and brake master cylinder housings, all made only from Ceramic-Reinforced Aluminum for use only on passenger cars, trucks, buses, trailers, motorcycles, railroad locomotives, railroad rolling stock and industrial equipment.

EXHIBIT A

LICENSE AGREEMENT

This License Agreement ("Agreement"), dated as of October 25, 1996 (the "Effective Date"), is made among

1. Lanxide Technology Company L.P. of 1300 Marrows Road, P.O. Box 6077, Newark, Delaware 19714-6077, U.S.A., a Delaware limited partnership ("LTC"),
2. AKN Corporation of 2-2-22, Shiba-koen, Minato-ku, Tokyo 105, Japan, a Japanese Corporation ("Licensee"), and
3. Lanxide Corporation of 1300 Marrows Road, P.O. Box 6077, Newark, Delaware 19714-6077, U.S.A., a Delaware corporation ("Lanxide").

WHEREAS, LTC is wholly owned and controlled by Lanxide; and

WHEREAS, LTC holds rights in certain valuable technology and Lanxide owns certain valuable trademarks; and

WHEREAS, Licensee wishes to license certain of such rights for the purposes defined herein.

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

I. DEFINITIONS

Terms used with initial capital letters in this Agreement shall have the meaning set forth below.

1.1 "Affiliate(s)" of a Person means a Person that, directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, such Person.

1.2 "Ceramic-Reinforced Aluminum" shall mean materials comprised of

a discontinuous ceramic reinforcing phase and a continuous aluminum metal matrix phase.

1.3 "Government Entity" shall mean any sovereign, state or political subdivision thereof, whether foreign or domestic.

1.4 "Government Regulations" shall mean and include any and all terms, conditions and provisions of (a) any law, regulation, order, statute, decree, rule, writ, injunction, determination or award of any court or Governmental Entity and (b) any contract for research, development and/or manufacturing between LTC and any department or agency of the United States government but only to the extent such contracts reflect provisions required by clause (a) above to be included therein.

1.5 "K.K. License" shall mean Exhibit B of the Joint Venture Agreement ("Joint Venture Agreement") referred to in subparagraph 5.2 (i) (b) hereunder.

1.6 "Licensed Technology" shall mean Technology which is now or hereafter owned by LTC, and all other Technology licensed to LTC without restriction upon the grant of sublicenses, that is relevant to Products, but excluding Technology, transfer or license of which, or an interest in which, despite Lanxide's and LTC's best efforts, would be expressly prohibited, either generally or specifically, by Government Regulations or contracts with third parties which are further described but not limited to those listed in Schedule 1.6 hereto.

1.7 "Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

1.8 "Products" shall mean those items listed as inclusions in Schedule A to this Agreement.

1.9 "Raw Materials" shall mean ceramic powders, ceramic paper, fibers, polymers, and/or castable metal matrix composite ingot produced using technology owned by or licensed to Lanxide or its Affiliates.

1.10 "Subsystem" shall mean a series of connected components within a System, at least one of which is manufactured using the Licensed Technology.

1.11 "System" shall mean any passenger car, truck, bus, trailer, motorcycle, railroad locomotive, railroad rolling stock or article of industrial equipment.

1.12 "Technology" shall mean technical information, know-how, data, techniques whether patentable or not, patents, patent applications and trade secrets.

1.13 "Territory 1" shall mean the geographic area as defined in Schedule B.

1.14 "Territory 2" shall mean the geographic area of Japan.

1.15 "Trademarks" shall mean the trademark and tradename "LANXIDE", together with all other trademarks owned now or in the future in the Territory by Lanxide.

II. GRANT OF TECHNOLOGY LICENSE

2.1 License of Licensed Technology. Subject to Government Regulations and the provisions of this Agreement, LTC hereby grants to Licensee a perpetual non-exclusive license to use the Licensed Technology to manufacture Products in Territory 1 and to sell Products manufactured in Territory 1 on a worldwide basis excluding Japan.

2.2 Contingent Additional License. Contingent upon the happening of any event described in subparagraph 5.2 (i) or (iv) of the K.K. License and subject to Government Regulations and the provisions of this agreement, LTC hereby further grants to Licensee a license to use Licensed Technology for the purposes of engaging in the research and development, manufacture, use and sale in Territory 2 of Products.

2.3 Non-Exclusive License. The license of Licensed Technology granted under paragraph 2.1 shall be non-exclusive with respect to the manufacture, use or sale of Products, and shall be subject to the rights, now or in the future, of other authorized users of the Licensed Technology to make, use or sell Products within or outside Territory 1.

2.4 Limitations on Exclusivity. Except as provided below, the contingent license of Licensed Technology granted under paragraph 2.2 shall be exclusive in Territory 2 to the extent that the Licensed Technology can be used only in relation to the manufacture, use and sale of Products.

(i) The License shall be non-exclusive to the extent that rights granted to LTC in the future are non-exclusive.

(ii) The License shall be non-exclusive to the extent required by Government Regulations.

(iii) The license shall be subject to the rights, now or in the future, of authorized users of the Licensed Technology outside Territory 2 to import into Territory 2 Products which are incorporated in Systems assembled outside Territory 2 and which Systems are then imported into Territory 2.

(iv) The licenses shall be subject to the rights, now or in the future, of authorized users of the Licensed Technology outside Territory 2 to import into Territory 2 Products for repair of Systems assembled outside Territory 2 and previously imported into Territory 2.

2.5 Rights Outside Territory. The license granted under paragraph 2.1 shall not include any rights to use the Licensed Technology for the manufacture of Products outside Territory 1 and such license shall not include any right to export Products from Territory 1 except for non-exclusive rights to sell such Products:

(i) outside Territory 1, but excluding Japan;

(ii) which are incorporated in Systems assembled outside Japan and which Systems are then imported into Japan; and

(iii) in Japan for repair of Systems assembled outside Japan and previously imported into Japan.

The contingent license granted under paragraph 2.2 shall not include any rights to use the Licensed Technology outside Territory 2 for any purpose and such license shall not include any right to export from Territory 2 except for.

(a) a non-exclusive right to supply components which are incorporated in Systems assembled inside Territory 2 and which Systems are then exported from Territory 2.

(b) a non-exclusive right to export from Territory 2 components and Subsystems manufactured in Territory 2 for repair of Systems assembled inside Territory 2 and previously exported from Territory 2.

Licenses shall inform its customers of the territorial limits on its license of the Licensed Technology and shall not sell Products to customers which it knows, or reasonably anticipates may, export those Products from Territory 1 or Territory 2 in any manner exceeding the scope of the rights granted to Licensee.

2.6 Sublicense Rights. There shall be no right to sublicense the Licensed Technology except only contingent upon the happening of any event described in subparagraph 5.2 (i) or (iv) of the K.K. License that the Licensee shall be permitted to grant.

(i) one non-exclusive sublicense to use the Licensed Technology only for the purposes of research and development of Products in the form of Exhibit D to the Joint Venture Agreement and,

(ii) one non-exclusive sublicense to use the Licensed Technology only for the purposes of research and development of Products in the form of Exhibit E to the Joint Venture Agreement,

each to the entities identified therein.

2.7 Reservation of Rights. No rights are granted under the Licensed Technology except as expressly set forth in this Section 2 and all rights

not expressly granted are reserved.

2.8 Provision of Technology. Subject to applicable Government Regulations, including obtaining any necessary licenses prior to disclosure, LTC or Lanxide shall, in the English language and U.S. units of measurement to Licensee at Licensee's request, make available to Licensee from time-to-time on an as-needed basis and free of cost to Licensee, up to a maximum of 200 hours of technical support to transfer technical information, formulae, data, analyses, know-how, and information with respect to the Licensed Technology to the extent reasonably necessary for the Licensee to use the Licensed Technology for the purposes set out in this Agreement. Additional technical support shall be made available by LTC or Lanxide to Licensee at a cost to Licensee equal to LTC's or Lanxide's fully burdened cost according to Generally Accepted Accounting Principles (GAAP) and on a basis of availability no less favorable to the Licensee than that afforded to any other licensee of the Licensed Technology.

2.9 Protection of Technology. Licensee shall not use and shall not permit its authorized sublicensees to use the Licensed Technology for any purpose other than to manufacture, use and sell Products, as provided in this Agreement. Licensee shall take no action in respect of the Licensed Technology which is inconsistent with the terms of the licenses granted under this Agreement.

2.10 Acknowledgment of Rights; Patent Marking. Licensee acknowledges that Licensee's right to use the Licensed Technology arises only out of the licenses granted under this Agreement. All Products manufactured under issued patents of LTC shall bear a patent notice as may be necessary or desirable under the laws of the applicable Government Entities.

2.11 Raw Materials. In connection with the licenses hereunder Lanxide agrees to sell and/or cause one or more of its Affiliates to sell to Licensee Licensee's requirements for Raw Materials in quantities and on delivery schedules reasonably needed by Licensee in connection with the manufacture of Products in accordance with the terms of this Agreement. This license does not grant Licensee any right to use the Licensed Technology for the purpose of manufacturing Raw Materials except that Licensee may produce Raw Materials for its own use in manufacturing Products in accordance with the terms of this License Agreement, but only to the extent of any inability on the part of Lanxide and/or its Affiliates to supply such Raw Materials in accordance with Licensee's reasonable quantity and delivery schedule requirements.

III. TRADEMARK AND TRADENAME LICENSE

3.1 Tradename License. Subject to Government Regulations and the provisions of this Agreement, Lanxide hereby grants to Licensee a non-exclusive license to use the tradename "LANXIDE" except for its use as the name or part of the name of a business entity. Lanxide and Licensee will cooperate in registering such tradename in Territory 1, and contingent

upon the happening of any event described in subparagraph 5.2 (i) or (iv) of the K.K. License, Territory 2, as may be necessary or desirable under the laws of Territory 1 and Territory 2, at the expense of Licensee.

3.2 Trademark License. Subject to Government Regulations and the provisions of this Agreement, Lanxide hereby grants to Licensee a non-exclusive license to use the Trademarks in connection with the marketing and sale of Products.

3.3 Sublicensing Rights. The license granted under paragraph 3.1 shall not include the right to grant sublicenses without the prior written consent of Lanxide.

3.4 Registration. Registration of the Trademarks shall only be made in the name of Lanxide or its designee. Licensee shall provide such assistance as Lanxide or its designee may require in relation to such registration at Licensee's expense, including the execution of all documents necessary or desirable for obtaining such registration. In addition, Licensee shall cooperate with Lanxide in seeking the registration of this Agreement or of an executed registered user agreement as may be necessary or desirable under the laws of Territory 1 or Territory 2 to record the trademark license granted under this Agreement with Licensee to bear any associated expenses.

3.5 Acknowledgement of Rights. As among the parties, Licensee acknowledges that the Trademarks and the goodwill associated with the Trademarks are the property of Lanxide and that except to the extent of the license rights granted hereunder, Licensee shall not acquire any rights in such Trademarks or in any registration of the Trademarks. Licensee acknowledges that Licensee's right to use the Trademarks arises only out of the licenses granted under this Agreement. Licensee shall neither challenge nor dispute the rights of Lanxide with respect to use or ownership of the Trademarks. Where Licensee uses the Trademarks, it shall include a notice stating that such Trademarks are the property of Lanxide. However, Lanxide makes no warranty that the Trademarks will be successfully registered in any countries.

3.6 Use of Trademarks; Quality Control. Licensee shall only use the Trademarks in connection with Products manufactured using the Licensed Technology or as otherwise agreed to in writing by LTC or Lanxide from time to time. The standards of manufacture of such Products shall be at least equal to the standards of quality required by LTC and Lanxide in relation to their other manufacturing or licensing activities. Licensee shall follow all reasonable instructions in relation to the quality of manufacture of Products communicated to it by any representative of LTC or Lanxide. In no event shall Licensee manufacture any Products which are not in accordance with applicable Government Regulations relating to safety and product quality.

3.7 Indemnity and Insurance. Licensee shall indemnify and hold harmless LTC, Lanxide, their Affiliates and their respective directors,

officers and employees from and against any losses, claims and damages including reasonable attorney's fees arising out of the manufacture, use or sale of Products by Licensee; provided such losses, claims and damages are not directly attributable to instructions, actions or omissions by Lanxide, LTC or their Affiliates or their respective directors, officers or employees. From the commencement of the manufacture of Products by the Licensee and until the last applicable statute of limitations expires, Licensee will procure and maintain, at its own cost and expense, product liability insurance written on an occurrence basis from an insurance company rated A or above by A. M. Best's providing protection against liability for any alleged damage or injury arising out of any alleged defect in material or workmanship in such Products in the primary amount of 1 million U.S. dollars with respect to any one accident or occurrence, and 1 million U.S. dollars in the aggregate. Licensee shall also procure and maintain, at its own expense, excess liability insurance in the amount of 10 million U.S. dollars in the aggregate. The insurance policy shall name LTC as an additional insured and shall be endorsed to provide for written notification to LTC by insurer not less than 30 days prior to cancellation. Licensee shall provide LTC with a certificate of insurance evidencing such coverage within 15 business days after the manufacture of Products by the Licensee and annually thereafter.

3.8 Inspection and Approval Rights. All uses of the Trademarks on or in connection with the sale or marketing of Products shall be subject to the prior approval of Lanxide. Licensee shall provide to Lanxide upon request samples of Products manufactured by Licensee and its sublicensees as well as advertising and other publicity materials bearing the Trademarks proposed to be used by its authorized sublicensees, together with an English language translation if necessary. Licensee shall allow and cause its sublicensees to permit Lanxide or its representatives at all reasonable times to inspect any facility where Products which will be sold under the Trademarks are manufactured.

3.9 Reservation of Rights. No rights are granted under the Trademarks except as expressly set forth in this Section 3. Without limitation, Licensee acknowledges the rights of Lanxide and its Affiliates to use the Trademarks themselves or through direct or indirect licensees as all or part of a tradename, and in relation to any products or services other than Products, and in relation to Products imported pursuant to paragraph 2.3 or 2.4. Lanxide expressly reserves the right to assign its entire right, title, and interest in and to the Trademarks to LTC, in which event LTC shall assume Lanxide's rights and obligations under this Agreement.

IV. FEE AND ROYALTY

4.1 Fee Payment and Amount. Licensee shall pay an initial license fee to Lanxide of \$4,000,000 in U.S. dollars, according to the following schedule:

Date	Amount
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LTC and Lanxide respectively agree that this amount represents the initial fee for the grant of rights to use the Licensed Technology and the Trademarks pursuant to Sections 2 and 3 above.

4.2 Royalty Payment and Amount. Licensee shall pay to LTC a royalty equal to [CONFIDENTIAL TREATMENT REQUESTED BY LANXIDE CORPORATION] of the Net Sales Price of all Products sold by Licensee or any subsequently authorized sublicensees, which are manufactured using the Licensed Technology in Territory 1, and in the event of the happening of any event described in subparagraph 5.2 (i) or (iv) of the K.K. License, also in Territory 2. Licensee shall pay such royalty to LTC so long as Licensee or any subsequently authorized sublicensees shall use the Licensed Technology. In the event that Licensee shall cease to pay royalties as and when required hereunder, then LTC shall have the right to terminate this Agreement upon ninety (90) days prior written notice to Licensee.

4.3 Net Sales Price. The "Net Sales Price" referred to in paragraph 4.2 shall mean the invoiced price for a Product less insurance, transport, bona fide rebates and allowances to the extent identified on the invoice, and less returns, and less the purchase price of Raw Materials purchased by Licensee from Lanxide or its Affiliates. The "Net Sales Price" applicable to transfers to entities affiliated with Licensee will be the price at which such Products would be sold at the time in question on an arms-length basis to a third party. Where Products are sold as part of a Subsystem and not separately, the Net Sales Price will be that percentage of the Net Sales Price of the Subsystem equal to the cost of manufacture of the Products divided by the cost of manufacture of the total Subsystem.

4.4 Third Party Royalties. In any case where use of Licensed Technology requires or required LTC to pay a royalty to a third party (whether lump-sum or payable by reference to sales) under the terms of any of the license agreements listed on Schedule 4.4 hereto or any future third party license that LTC may enter into, then in the event that Licensee determines to use such Technology, Licensee will in addition to the royalty specified in paragraph 4.2 be responsible for payment to LTC of a further amount equal to the royalty payable to the third party attributable to sales by Licensee and its authorized sublicensees. In case LTC needs to obtain a third party Technology which LTC is aware may be useful to Licensee and therefore may require Licensee to be responsible for additional royalty, Lanxide shall let Licensee know the need, with prior written form, and consult with Licensee as to whether such additional Technology is truly necessary. If Licensee decides such Technology is unnecessary, Licensee shall have the right not to use such third party Technology and therefore not be required to pay any third party royalty associated therewith. Even though Licensee decides such Technology is unnecessary, subject to the terms of this Agreement, Licensee may use Licensed Technology not requiring such third party royalty, including the right to purchase Raw Materials. The parties hereto agree, however, that Licensee shall be under no obligation to use any Technology requiring

payment of royalty to any third party, and the decision to use such Technology shall be solely at Licensee's discretion.

4.5 Tax Withholding. Licensee may withhold taxes from royalties payable hereunder only to the extent that such withholding is required under applicable law and to the extent that Licensee provides copies of all documents required by LTC hereunder to claim credit for such foreign tax payment.

4.6 Payment and Accounting. Royalties due under this Agreement shall be paid in U.S. dollars to the bank account specified by LTC within 45 days after each of December 31, March 31, June 30 and September 30, in relation to the period of three (3) calendar months (or less in the case of the first or final such period) ending on such date. At the same time as payment of royalties is made, Licensee shall provide to LTC a statement setting out the sales of Products manufactured using the Licensed Technology made during the period to which such royalties relate, the type and description of Products in question, the applicable Net Sales Price, the amount of royalties payable and the amount of any tax withheld. Overdue payments shall bear interest at the annual rate of two percent (2%) above the prime rate of Citibank, in New York.

4.7 Books and Records. Licensee shall keep proper books and records showing the description and price of Products sold, and such records shall be open at all reasonable times to inspection by Lanxide or its representatives, who shall be entitled to take copies of such books and records.

4.8 Currency Conversion. For the purpose of converting into U.S. dollars the currency in which royalties may arise, the rate of exchange to be applied shall be the rate of exchange for the purchase of U.S. dollars with the currency quoted by Citibank, in New York as at the close of business on the last business day of the quarterly period to which a payment shall relate.

V. TERM AND TERMINATION

5.1 Effective Date. This Agreement shall come into effect upon the Effective Date set forth in the first page hereof. This Agreement shall thereafter be perpetual and non-cancellable, subject to earlier termination as provided herein.

5.2 Events of Termination. This Agreement may be terminated upon the happening of any of the following events:

(i) (a) Upon written notice from LTC or Lanxide, in the event that Licensee is in material breach of any of its obligations under this Agreement, and Licensee fails to remedy that breach within 60 days after receipt of written notice requiring Licensee to remedy that breach;

(b) Upon written notice from LTC or Lanxide, in the event that

Licensee's shareholders are in material breach of any of their obligations under either the Joint Development Agreement among Akebono Brake Industry Co., Ltd., Nihon Cement Co., Ltd., and Lanxide, or the Joint Venture Agreement among Akebono Brake Industry Co., Ltd., Nihon Cement Co., Ltd., Lanxide K. K., Kanematsu Corporation and Lanxide, dated October 25, 1996 and such Licensee's shareholder in breach and/or other Licensee's shareholders fail to remedy that breach within 60 days after receipt by all Licensee's shareholders of written notice from a party to the respective agreement requiring remedy of that breach.

(ii) Upon written notice from LTC or Lanxide, in the event that Licensee ceases to carry on business, becomes or is declared insolvent, files or has filed against it a petition in bankruptcy, has a receiver appointed over its assets, or takes or has taken against it any similar act as a result of debt;

(iii) Upon 180 days prior written notice by LTC, in the event that any Government Entity or court requires substantial modifications to the provisions of this Agreement;

(iv) Upon written notice by Licensee to LTC.

(v) As provided elsewhere in this Agreement

5.3 Effects of Termination. On termination of this Agreement, the following provisions shall have effect;

(i) All licenses and rights granted to Licensee by LTC or Lanxide shall forthwith cease and Licensee shall cooperate in cancelling any registration of such licenses.

(ii) Licensee shall, except as otherwise agreed with LTC or Lanxide, as applicable, forthwith cease all use of the Licensed Technology and the Trademarks.

(iii) Termination of this Agreement shall not affect the continued enforceability of paragraph 3.7 and Sections 8 and 9 and the continued existence of the license from Licensee to Licensor under paragraph 7.1 hereunder of improvements and inventions made up to the date of termination.

(iv) Licensee shall promptly deliver all Proprietary Information in all forms to LTC or to its authorized representatives.

Notwithstanding the provisions of subparagraphs 5.3 (i) and (ii), Licensee shall have the right to sell in the Territory all Products it has manufactured prior to termination of this Agreement, subject to the payment of all royalties due hereunder.

VI. GOVERNMENT REGULATIONS, ETC.

6.1 Compliance with Government Regulations. The grant of licenses and the transfer of Licensed Technology under this Agreement shall be conditional on all necessary governmental consents and licenses being obtained and maintained. LTC and Licensee shall use reasonable efforts to obtain all such consents and licenses. Licensee shall comply with all Government Regulations governing export of goods and information from Territory 1 and Territory 2 and between the various countries of Territory 1 and Territory 2, including without limitation the Export Administration Regulations of the United States (15 C.F.R. 730 et seq.) as such may be amended from time to time, and the terms of any licenses or consents obtained.

VII. PATENTS AND IMPROVEMENTS

7.1 Rights in Inventions. During the term of this Agreement, Licensee shall promptly disclose to LTC any inventions or improvements which relate solely to composition and processing of Ceramic-Reinforced Aluminum as material for Products (specifically excluding any inventions or improvements which relate to the design and/or performance of Products themselves as brake parts or components) that are made by Licensee's employees or by the employees of any authorized sublicensees without the participation of any of the employees of LTC or its Affiliates and Licensee shall obtain the right to grant, and grant, to LTC a full worldwide, royalty-free, perpetual, irrevocable, non-exclusive license to make, use and sell such improvements or inventions in any manner not prevented by the terms of the license to Licensee under this Agreement, with full right by LTC to grant sublicenses of such improvements or inventions which themselves include the right to sublicense.

The provisions of this paragraph 7.1 shall not affect the ownership of inventions or improvements made by employees of LTC or its Affiliates (with or without the participation of the employees of the Licensee or its authorized sublicensees) which inventions and improvements shall be the property of LTC or its Affiliates, but subject to the license granted under this Agreement.

7.2 Prosecution and Registration. Licensee shall not seek any patent or other intellectual property registration in relation to the Licensed Technology in its own name, other than improvements and inventions relating to the Licensed Technology made by Licensee's employees with or without the participation of employees of authorized sublicensees or contract manufacturers. Licensee will cooperate with LTC as reasonably requested by LTC in relation to obtaining and prosecuting patents in the name of LTC. In addition LTC and Licensee shall cooperate in seeking the registration of this Agreement or of an executed registered user agreement as may be necessary or desirable under the laws of any country to record the patent license granted under this Agreement at the reasonable expense of Licensee.

7.3 Actions and Claims Against Third Parties. If, during the term of this Agreement, Licensee learns of any infringement, unfair competition

or misappropriation ("Infringement") by a third party of any Licensed Technology licensed to Licensee, Licensee shall promptly and fully notify LTC in writing.

7.4 Infringement Claims by Third Parties. If, during the term of this Agreement, any claim or action is threatened or commenced by a third party alleging Infringement of third party rights by practice of Licensed Technology by Licensee, Licensee shall promptly and fully notify LTC in writing.

7.5 Procedure. LTC shall have the right, but not the obligation, to take all reasonable steps to prosecute or defend any such claim or action relating to the matter set forth in paragraphs 7.3 or 7.4, and may institute, defend, or settle claims, actions or proceedings at its expense. Licensee, at LTC's request shall render all reasonable assistance and cooperation at LTC's expense. If LTC refuses or fails to take or defend such actions within six (6) months after receipt of the notice described above (or such shorter period as shall be reasonable in the circumstances), then Licensee shall have the right (but not the obligation), after first notifying LTC in writing, to institute, defend or settle such actions or claims or proceedings, which shall be at Licensee's expense. In such case LTC, at Licensee's request, shall render all reasonable assistance and cooperation at Licensee's expense, and LTC shall have the right to participate in such proceedings through LTC's own counsel. In no event shall LTC bear any expense of any claims, actions, or proceedings not instituted or defended by LTC unless their written consent is obtained prior to the institution or defense of such claims, actions, or proceedings. In addition, LTC will have the right to instruct Licensee to modify or terminate any practices which have given rise to a claim of Infringement of third party rights.

VIII. CONFIDENTIALITY, RESTRICTED DISCLOSURE AND LIMITED USE COMMITMENTS.

8.1 Confidentiality Undertaking. The parties hereto shall (i) treat as confidential all Proprietary Information (as hereinafter defined) which is obtained by a receiving party directly or indirectly from a disclosing party in connection with this Agreement, and (ii) not disclose the same to any third party nor use the same, except as provided herein. The provisions of this Section shall apply, without limitation, to all information learned by the parties in the course of implementing this Agreement concerning the business, assets, customers, processes or methods of Lanxide, LTC, or Licensee, or their Affiliates. The provisions of Section 8 shall remain in effect during the term of this Agreement and for a period of five (5) years after termination or expiration of the Agreement.

8.2 Proprietary Information. As used herein, "Proprietary Information" means any information of Lanxide, LTC, Licensee, or their Affiliates that might reasonably be considered proprietary, sensitive or private, including but not limited to the following:

(i) Technical information, know-how, data, techniques, discoveries, inventions, ideas, unpublished patent applications, proprietary information, formulae, analyses, laboratory reports, other reports, financial information, studies, findings, or other information relating to Lanxide, LTC, Licensee, or their Affiliates, or the Licensed Technology or methods or techniques used by Lanxide, LTC, Licensee, or their Affiliates, whether or not contained in samples, documents, sketches, photographs, drawings, lists, and the like;

(ii) Data and other information employed in connection with the marketing of the products of Lanxide, LTC, Licensee, or their Affiliates including cost information, business policies and procedures, revenues and markets, distributors and customers, and similar items of information whether or not contained in documents or other tangible materials; and

(iii) Any other information obtained by the parties to this Agreement during the term hereof, that is not generally known to, and not readily ascertainable by proper means by, third parties.

8.3 Precautions. The parties hereto shall take all appropriate steps to prevent unauthorized disclosure of any Proprietary Information by their employees, which steps include the execution or acceptance by all such persons of written agreements containing obligations of confidentiality, restricted disclosure and limited use relative thereto consistent with this Section 8 prior to disclosure of Proprietary Information to them. The parties shall not permit access to Proprietary Information by their employees, except on a need-to-know basis. The parties shall further take all appropriate steps to protect the Proprietary Information against espionage, misuse, loss or theft.

8.4 Exclusions. The provisions of Section 8 shall not apply to any Proprietary Information that (i) has become generally available to the public through no fault of the receiving party or its employees, (ii) the receiving party can prove by clear and convincing documentary evidence was in its possession before disclosure hereunder and did not come directly or indirectly from the disclosing party, (iii) becomes known to the receiving party through lawful disclosure from a third party that is not subject to a confidentiality agreement with any disclosing party or Affiliate, or (iv) the receiving party can prove by clear and convincing documentary evidence has been or is developed by the receiving party independent of any such Proprietary Information disclosed by the disclosing party.

8.5 Permitted Disclosure. Proprietary Information may not be disclosed by the receiving party without the prior written consent of the disclosing party, except that,

(i) Lanxide may disclose Licensee's Proprietary Information to the extent of the inventions and improvements described in paragraph 7.1 hereunder to its Affiliates or its other licensees or sublicensees of the Licensed Technology, provided that prior to disclosure of the Proprietary Information, such Persons execute written agreements containing obligations

of confidentiality consistent with this Section 8.

(ii) In the event that a third party wishes to evaluate Licensee's proprietary technology to the extent of the inventions and improvements described in paragraph 7.1 hereunder in connection with a business transaction with Lanxide or its Affiliates, Lanxide may disclose as much of Licensee's Proprietary Information to that third party as is necessary to conduct such evaluation, provided that prior to disclosure such third party executes a written agreement prohibiting use of the Proprietary Information for any reason other than evaluation of this technology and containing obligations of confidentiality consistent with this Section 8.

8.6 Government Regulations. The provisions of this Section 8 shall not be deemed to obligate either party to do or refrain from doing any act, the doing or not doing of which would cause or reasonably be expected to cause either party to fail to fulfill or comply with any obligation or requirement imposed by any Government Regulation, provided that, any disclosures of Proprietary Information made to fulfill or comply with any such Government Regulation shall be made (i) only after notice to the other party, and (ii) under conditions invoking all confidentiality protections as are available by law or regulation.

IX. MISCELLANEOUS

9.1 Warranties. LTC and Lanxide make no warranty or representation with respect to the Trademarks, the Licensed Technology or other assistance furnished under this Agreement, or with respect to the Trademarks, nor are LTC or Lanxide in any way responsible for the accuracy, utility or completeness of any Licensed Technology or other assistance furnished under this Agreement. LTC AND LANXIDE HEREBY EXPRESSLY DISCLAIM ANY AND ALL WARRANTIES AND REPRESENTATIONS, EXPRESS OR IMPLIED, ARISING BY LAW OR CUSTOM, WITH RESPECT TO THE TRADEMARKS OR THE LICENSED TECHNOLOGY, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE. LTC AND LANXIDE DO NOT IN ANY WAY PROMISE THAT THE LICENSED TECHNOLOGY WILL PRODUCE ANY PARTICULAR RESULTS, PRODUCTS OR PROFITABILITY.

9.2 Force Majeure. No party shall be liable for failure to perform its obligations hereunder for so long as that failure may be the result of any event beyond its reasonable control (a "force majeure" event), provided that such party uses all reasonable efforts to comply with the terms of this Agreement to the extent that it is able to do so. However, if such failure due to force majeure by any party to perform any part of this Agreement should continue for six (6) months, any other party shall have the right to terminate this Agreement.

9.3 Waivers. The failure at any time of any party to require performance by the other party of any obligation required by this Agreement shall in no way affect such party's right to require such performance at any time thereafter, nor shall the waiver by any party of a breach of any provision of this Agreement by any other party constitute a waiver of any

other breach of the same or any other provision or constitute a waiver of the obligation itself.

9.4 Amendment. This Agreement may be amended only by an instrument in writing duly executed by duly authorized representatives of the parties hereto.

9.5 Assignability. This Agreement shall be binding upon and inure to the benefit of the permitted successors and assigns of each party hereto. Neither this Agreement nor any right or obligation hereunder may be assigned or delegated in whole or in part by any party without the prior written consent of the other parties, except that LTC shall have the right to transfer its rights and obligations to an Affiliate. Any permitted assignment shall not relieve Licensee from any obligations hereunder incurred prior to such assignment.

9.6 Notices. In any case where any notice or other communication is required or permitted to be given hereunder (including, without limitation, any change in the information set forth in this paragraph 9.6) such notice or communication (i) shall be in writing and in the English language, (ii) shall be sent to the parties set out below, and (iii) shall be (A) personally delivered, (B) sent by postage prepaid registered airmail, (C) transmitted by telecopy receipt of which is confirmed, (D) sent by courier service requiring signature on receipt, as follows:

If to LTC, to:

Lanxide Technology Company, L.P.
c/o Lanxide Corporation, General Partner
1300 Marrows Road
P.O. Box 6077
Newark, DE 19714-6077
FAX: (302) 454-1712

Attention: President

If to Lanxide, to:

Lanxide Corporation
1300 Marrows Road
P.O. Box 6077
Newark, Delaware 19714-6077
FAX: (302)-454-1712

Attention: President

If to Licensee, to:

AKN Corporation
2-2-22, Shiba-koen, Minato-ku
Tokyo 105, Japan
FAX: 03-3432-3045

Attention: President

All such notices or other communications shall be deemed to have been given or received (i) upon receipt if personally delivered, or if by courier, (ii) on the tenth business day following posting if by postage prepaid registered airmail, or (iii) when sent with confirmed answer back if sent by telecopy.

9.7 Choice of Law. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Delaware, United States of America.

9.8 Forum Jurisdiction, Venue and Service. The Licensee hereby irrevocably and unconditionally:

(i) agrees that any action, suit or proceeding by any person arising from or relating to this Agreement or any statement, course of conduct, act, omission, or event occurring in connection herewith (collectively, "Related Litigation") may be brought in any state or federal court of competent jurisdiction sitting in the State of Delaware, submits to the jurisdiction of such courts, and to the fullest extent permitted by law agrees that it will not bring any Related Litigation in any other forum;

(ii) waives any objection which it may have at any time to the laying of venue of any Related Litigation brought in any such court, waives any claim that any such Related Litigation has been brought in an inconvenient forum, and waives any right to object, with respect to any Related Litigation brought in any such court, that such court does not have jurisdiction over the Licensee; and

(iii) consents and agrees to service of any summons, complaint or other legal process in any Related Litigation by registered or certified U.S. mail, postage prepaid, to the Licensee at the address for notices described in paragraph 9.6 hereof, and consents and agrees that such service shall constitute in every respect valid and effective service (but nothing herein shall affect the validity or effectiveness of process served in any other manner permitted by law).

9.9 Interpretation. The headings of the sections and paragraphs in this Agreement are provided for convenience of reference only and shall not be deemed to constitute a part hereof. The Agreement is executed in the English language.

9.10 Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter of this Agreement and supersedes all prior agreements and understandings, oral and written, if any, among the parties hereto with respect to the subject matter of this Agreement.

9.11 Severability. Should any provision of this Agreement be deemed

in contradiction with the laws of any jurisdiction in which it is to be performed or unenforceable for any reason, such provision shall be deemed null and void, but, except as provided in paragraph 5.2, this Agreement shall remain in force in all other respects.

9.12 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the day and year first above written.

LANXIDE TECHNOLOGY COMPANY, L.P.

AKN CORPORATION

By: LANXIDE CORPORATION
General Partner

By: /s/ Shunda Ueda
Name: Shunda Ueda
Title: President

By: /s/ Marc S. Newkirk
Name: Marc S. Newkirk
Title: President

LANXIDE CORPORATION

By: /s/ Marc S. Newkirk
Name: Marc S. Newkirk
Title: President

SCHEDULE 1.6

Technology which is, or may in the future be

(i) provided to Lanxide or its Affiliates under Non Disclosure Agreements and is identified as the proprietary information of the disclosing party.

(ii) designated as classified by a government agency.

(iii) controlled by the export regulations of the United States.

(iv) provided under license to Lanxide or its Affiliates with limits on its use or transfer.

SCHEDULE 4.4

None

SCHEDULE A

PRODUCTS

"Products" shall mean

Brake rotors, brake drums, brake shoes, brake pistons, brake caliper bodies, brake pad backing plates, brake caliper anchors, steering knuckles, drum brake back plates, brake torque anchor support plates, disc brake back plates, wheel hubs, brake dust shields, brake modulator housings, brake pressure control valve housings, wheel brake cylinder housings, and brake master cylinder housings, all made only from Ceramic-Reinforced Aluminum for use only on passenger cars, trucks, buses, trailers, motor-cycles, railroad locomotives, railroad rolling stock and industrial equipment.

All of the above definitions shall exclude the following:

1. Sporting Goods

2. Filters for use in materials processing plants which come in direct contact with some portion of materials flow through the process plant.

3. Aerospace components including but not limited to leading edges, nosecones, radomes, control surfaces, struts, stiffeners, skins and air frames for spacecraft, aircraft, and missiles.

4. Heat exchangers including but not limited to recuperators, boilers, waste heat recovery, superheaters, pyrolysis units, reformers, air preheaters and chemical processes, including radiant burner tubes and parts thereof.

5. Gas turbine engine parts including but not limited to land, sea and air, moving and stationary gas turbine engines, and aircraft scramjet and ramjet engines and components thereof.

6. Electrical/electronic substrates, heat sinks or packages, including but not limited to components thereof for active or passive electronic devices, and assemblies thereof.

7. Electronic devices whose primary function is to serve as a capacitor, resistor, inductor, or part thereof, or arrays of same, not including superconductive inductors.

8. Electro-optic and photovoltaic devices whose primary function is to transform electrical signals to optical signals.

9. RFI shielding, electrical ground planes, antennae, and components thereof.

10. Electrical wire and cable, and components thereof.

11. Generators, alternators, or parts thereof not including prime movers, brakes, clutches or other assemblies associated therewith.

12. Electric motors, or parts thereof.

13. Electrical transformers, electromagnets, electric relays, and components thereof.

14. Superconducting inductors.

15. Connectors for electronic devices.

16. Electro-optic and photovoltaic devices whose primary function is to transform optical signals to electrical signals.

17. Electronic devices whose primary function is to serve as a vacuum tube, a discharge tube, a magnetron, a wave guide, emitter, receiver, or part thereof.

18. Solid state electronic transducer, transistor, diode, or integrated circuit wafers, chips or elements.

19. Electric incandescent, fluorescent or discharge lamps, and components thereof.

20. Electrical switches, switchgear, and components thereof.

21. Electric fuel cells, thermoelectric devices and electric batteries, or components thereof.

22. Electrodes and electrical terminations, interconnects, splices, plugs, sockets, and components thereof.

23. Electrical fuses and fusible links, and components thereof.

24. Human or other animal prostheses, including, but not limited to, bone, tooth or organ replacement or supplement.

25. Components, combinations thereof for incorporation into systems, and systems comprising such components, designed specifically to provide ballistic protection for ground vehicles, artillery, amphibious vehicles, aircraft, spacecraft, space installations, missiles, marine craft, marine installations, and personnel.

26. Components and parts, including but not limited to complete assemblies, that are, or become a direct part of, solid, liquid or gas fueled rocket engines for all military and civilian uses including but not limited to tactical and strategic missile engines and space launch and orbital insertion rocket engines.

27. Products to inhibit corundum formation in aluminum melting furnaces

28. Abrasive grain for supplying the coated abrasives, bonded abrasives and loose abrasives markets.

29. Grinding wheels.

30. Gun systems, including but not limited to both conventional smokeless propellant driven systems and electromagnetic-driven railgun systems, and/or components therefor.

31. Electric resistance-heated igniters for use as fuel ignition devices in all applications except internal combustion, gas turbine and rocket engine use, including but not limited to components for these applications, such as electrically operated resistance heating elements supports and interconnections for such elements and resistance-heated igniter assemblies.

32. Ceramic and ceramic matrix composite powders, microspheres, tubules and platelets for use as ceramic raw materials or as raw materials for ceramic matrix, metal matrix or polymer matrix composites.

33. Fuel injectors and fuel injector components for use in internal combustion engines.

34. Cutting tools and components for cutting tools including but not limited to broaches, twist drills, gun drills and reamers, countersinks, combination drills and countersinks, counterbores, reamers, hobs, gear shapers, milling cutters, single and double point tools, circular form tools, threading tools, blanks tips and inserts.

35. Track and undercarriage components, track systems and ground contact hull structures including but not limited to those for use on bulldozer, scraper, earthmover, backhoe, skidder, armored vehicle, dragline, conveyor, or mining equipment.

36. Aircraft and marine propellers, rotors and other propulsive devices and shaft seals and components therefor.

37. Inspection tools, including but not limited to gages gage blocks, go no-go gages, joe blocks, inspection systems, coordinate measuring equipment.

38. Sensors, sheathing for sensors, and components thereof.

39. All military component applications.

40. Building product components.

41. Furnace components and hardware including heating elements, kiln rollers, kiln furniture, batts and crucibles.

42. Housewares and components thereof.

43. All engine and power transmission components.

44. Security devices including safes, locks, vaults, and components thereof.

45. Welding electrodes.

46. Paints and Adhesives

SCHEDULE B

TERRITORY 1

The following countries and administrative divisions to the extent of their territorial boundaries as of the Effective Date:

Australia
Brunei
Burma
Cambodia
China
Indonesia
Laos
Malaysia
Mongolia
New Zealand
North Korea
Papua New Guinea
Philippines
Singapore
South Korea
Taiwan
Thailand
Vietnam

LICENSE AGREEMENT

This License Agreement ("Agreement"), dated as of October 25, 1996 (the "Effective Date"), is made between

1. Lanxide Kabushiki Kaisha of 2-2-22, Shiba-koen, Minato-ku, Tokyo 105, Japan ("Lanxide K.K.") and

2. AKN Corporation of 2-2-22, Shiba-koen, Minato-ku, Tokyo 105, Japan ("Licensee").

WHEREAS, Lanxide K.K. is a corporation organized under the laws of Japan pursuant to a joint venture agreement between Lanxide (as defined in Section 1.5) and Kanematsu Corporation; and

WHEREAS, Licensee is a corporation organized under the laws of Japan pursuant to a joint venture agreement among Lanxide K.K., Kanematsu Corporation, Nihon Cement Co. Ltd., Akebono Brake Industry Co., Ltd., and Lanxide dated as of October 25, 1996 (the "Joint Venture Agreement"); and

WHEREAS, Lanxide K.K. has been granted certain rights to certain technology and trademarks by Lanxide and LTC (as defined in Section 1.7), under a license agreement dated as of May 28, 1992 as amended (the "Lanxide K.K. License") with the right to sublicense; and

WHEREAS, Lanxide K.K. desires to grant to Licensee a license, and Licensee desires to accept a license, to practice certain of the technology and to use certain of the trademarks in which Lanxide K.K. has rights in a certain field as more fully set forth herein.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

I. DEFINITIONS

Terms used with initial capital letters in this Agreement shall have the meaning set forth below.

1.1 "Affiliate(s)" of a Person means a Person that, directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, such Person.

1.2 "Ceramic-Reinforced Aluminum" shall mean materials comprised of a discontinuous ceramic reinforcing phase and a continuous aluminum metal matrix phase.

1.3 "Consulting Services" shall mean the services provided by Lanxide K. K. to Licensee in response to the specific request of Licensee with respect to the technical information, formulae, data, analyses, know-how, and information which may require some experimental work or other substantial actions of Lanxide K.K., but shall not include the transfer of that information as a part of the license pursuant to the provisions of the first sentence of Section 2.6.

1.4 "Government Regulations" shall mean any and all terms, conditions and provisions of (a) any law, regulation, order, statute, decree, rule, writ, injunction, determination or award of any court, governmental department, board, agency, or instrumentality, whether foreign or domestic, and (b) any contract for research, development and/or manufacturing between Lanxide and any department or agency of the United States government but only to the extent such contracts reflect provisions required by (a) above to be included therein.

1.5 "Lanxide" shall mean Lanxide Corporation, a corporation organized under the laws of Delaware, and located at 1300 Marrows Road, P.O. Box 6077, Newark, Delaware 19714-6077, U. S. A.

1.6 "Licensed Technology" shall mean Technology now or hereafter owned by Lanxide or LTC which is relevant to Products and to which Lanxide K.K. is granted rights under the Lanxide K.K. License without restriction upon the grant of sublicenses or transfer of such Technology, but excluding Technology, transfer or license of which, or an interest in which, despite Lanxide's, LTC's and/or Lanxide K.K.'s best efforts, would be expressly prohibited, either generally or specifically, by Government Regulations or contracts with third parties which are further described but not limited to those listed in Schedule 1.6 hereto.

1.7 "LTC" shall mean Lanxide Technology Company, L.P. a Delaware limited partnership wholly owned and controlled by Lanxide.

1.8 "Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

1.9 "Products" shall have the meaning set forth in Schedule A to this Agreement.

1.10 "Raw Materials" shall mean ceramic powders, ceramic paper, fibers, polymers and/or castable metal matrix composite ingot produced using technology owned by or licensed to Lanxide or its Affiliates.

1.11 "Subsystem" shall mean a series of connected components within a System, at least one of which is manufactured using the Licensed Technology.

1.12 "System" shall mean any passenger car, truck, bus, trailer, motorcycle, railroad locomotive, railroad rolling stock or article of industrial equipment.

1.13 "Technology" shall mean technical information, know-how, data, techniques whether patentable or not, patents, patent applications and trade secrets.

1.14 "Territory" shall mean the geographic area of Japan.

1.15 "Trademarks" shall mean the trademark "Lanxide" together with all other trademarks relating to the Products owned now or in the future in the Territory by Lanxide.

II. GRANT OF TECHNOLOGY LICENSE

2.1 License of Licensee. Subject to Government Regulations and the provisions of this Agreement, Lanxide K.K. hereby grants to Licensee a license to use, during the term of this Agreement, the Licensed Technology for the purposes of engaging in the research and development, manufacture, use and sale in the Territory of Products. In connection with this license Lanxide K.K. agrees to sell to Licensee Licensee's requirements for Raw Materials in quantities and on delivery schedules reasonably needed by Licensee in connection with the manufacture of Products in accordance with the terms of this Agreement. This Agreement does not grant Licensee any right to use the Licensed Technology for the purpose of manufacturing Raw Materials except that Licensee may produce Raw Materials for its own use in manufacturing Products in accordance with the terms of this Agreement, but only to the extent of any inability on the part of Lanxide K.K. to supply such Raw Materials in accordance with Licensee's reasonable quantity and delivery schedule requirements.

2.2 Limitations on Exclusivity. Except as provided below, the license of Licensed Technology granted under paragraph 2.1 shall be exclusive in the Territory to the extent that the Licensed Technology can be used only in relation to the manufacture, use and sale of Products.

(i) The license shall be non-exclusive to the extent that rights granted to Lanxide K.K. under the Lanxide K.K. License in the future are non-exclusive.

(ii) The license shall be non-exclusive to the extent required by Government Regulations.

(iii) The license shall be subject to the rights, now or in the

future, of authorized users of the Licensed Technology outside the Territory to import into the Territory Products which are incorporated in Systems assembled outside the Territory and which Systems are then imported into the Territory.

(iv) The licenses shall be subject to the rights, now or in the future, of authorized users of the Licensed Technology outside the Territory to import into the Territory Products for repair of Systems assembled outside the Territory and previously imported into the Territory.

2.3 No Rights Outside Territory. The license granted under paragraph 2.1 shall not include any rights to use the Licensed Technology outside the Territory for any purpose and such license shall not include any right to export from the Territory except for:

(i) a non-exclusive right to supply components which are incorporated in Systems assembled inside the Territory and which Systems are then exported from the Territory.

(ii) a non-exclusive right to export from the Territory components and Subsystems manufactured in the Territory for repair of Systems assembled inside the Territory and previously exported from the Territory.

Licensee shall inform its customers of the territorial limits on its license of the Licensed Technology and shall not sell Products to customers which it knows, or reasonably anticipates may, export those Products from the Territory in any manner exceeding the scope of the rights granted to Licensee.

2.4 Sublicense Rights. There shall be no right to sublicense the Licensed Technology except only that the Licensee shall be permitted to grant:

(i) one non-exclusive sublicense to use the Licensed Technology only for the purposes of research and development of Products in the form of Exhibit D to the Joint Venture Agreement and,

(ii) one non-exclusive sublicense to use the Licensed Technology only for the purposes of research and development of Products in the form of Exhibit E to the Joint Venture Agreement, each to the entities identified therein.

2.5 Reservation of Rights. No rights are granted under the Licensed Technology except as expressly set forth in this Section 2 and all rights not expressly granted are reserved. All rights granted are subject to the terms of the Lanxide K.K. License.

2.6 Provision of Technology. Subject to applicable Government Regulations, including obtaining any necessary licenses prior to

disclosure, Lanxide K.K. shall, (i) at Licensee's request, make available to Licensee from time to time on an as-needed basis and free of cost to Licensee, up to a maximum of 200 hours per year of technical support to transfer technical information, formulae, data, analyses, know-how, and information with respect to the Licensed Technology to the extent reasonably necessary for Licensee to use the Licensed Technology for manufacture from Raw Materials of Products to be sold by Licensee, and (ii) upon reasonable request by Licensee, act as a consultant to Licensee in order to supply the Consulting Services. The actual costs and expenses incurred by Lanxide K.K. in connection with such Consulting Services shall be borne by Licensee. Such costs and expenses shall be reasonable and mutually agreed upon by Lanxide K.K. and Licensee.

2.7 Protection of Technology. Licensee shall not use the Licensed Technology for any purpose other than to research and develop, manufacture, use and sell Products, all as provided for in this Agreement. Licensee shall take no action in respect of the Licensed Technology which is inconsistent with the terms of the license granted under this Agreement.

2.8 Acknowledgement of Rights. Licensee acknowledges that Licensee's right to use the Licensed Technology arises only out of the sublicense granted under this Agreement. All Products manufactured under issued patents shall bear a patent notice as may be necessary or appropriate under the laws of the Territory as specified by Lanxide K.K. to Licensee.

III. TRADEMARK LICENSE

3.1 Trademark License. Subject to Government Regulations and the provisions of this Agreement, Lanxide K.K. hereby grants to Licensee an exclusive license to use the Trademarks in connection with the marketing and sale in the Territory of Products, but subject to any rights of importers of Products pursuant to subparagraphs 2.2 (iii) and (iv) to use the Trademarks on such Products. In no event does this license grant the right to use any Trademark as a tradename of a corporation or any other entity.

3.2 Sublicensing Rights. There shall be no right to sublicense the Trademarks.

3.3 Registration. Registration of the Trademarks shall only be made in the name of Lanxide K.K. or its designee. Licensee shall provide to Lanxide K.K. such assistance as Lanxide K.K. may require in relation to such registration in the Territory, including the execution of all documents necessary or desirable for obtaining such registration. Licensee may register its exclusive license to use the Trademarks granted under this Agreement (Tsujo Shiyoken) with the Patent Office of Japan. Lanxide K.K. shall cooperate or cause Lanxide and LTC to cooperate with Licensee in registering the trademark license granted under this Agreement, including the execution and delivery of all

documents necessary or desirable for obtaining such registration.

3.4 Acknowledgement of Rights. Licensee acknowledges that the Trademarks and the goodwill associated with the Trademarks are the property of Lanxide and have been licensed to Lanxide K.K. with the right to sublicense in accordance with the terms of the Lanxide K.K. License, and that except to the extent of the license rights granted hereunder, Licensee shall not acquire any rights in such Trademarks or in any registration of the Trademarks. Licensee acknowledges that Licensee's right to use the Trademarks arises only out of the license granted under this Agreement. Licensee shall neither challenge nor dispute the rights of Lanxide K.K. or Lanxide with respect to use or ownership of the Trademarks. Where Licensee uses the Trademarks, it shall include a notice as to ownership as directed by Lanxide K.K.. However, Lanxide K.K. makes no warranty that the Trademarks, which are not registered in the Territory as of the date hereof, will be successfully registered in the Territory.

3.5 Use of Trademarks: Quality Control. Licensee shall only use the Trademarks in connection with Products manufactured using the Licensed Technology. The standards of manufacture of such Products shall be at least equal to the standards of quality required by Lanxide K.K., acting on behalf of Lanxide. Licensee shall follow all reasonable instructions in relation to the quality of manufacture of Products under the Licensed Technology communicated to it by any representative of Lanxide K.K. or Lanxide. In no event shall Licensee manufacture any Products which are not in accordance with applicable Government Regulations relating to safety and product quality.

3.6 Indemnity and Insurance. Licensee shall indemnify and hold harmless Lanxide K.K., Lanxide, their Affiliates and their respective directors, officers and employees from and against any claims arising out of the manufacture, use or sale of Products by Licensee; provided such losses, claims and damages are not directly attributable to instructions, actions or omissions by Lanxide K. K., Lanxide, their Affiliates or their respective directors, officers or employees. From the commencement of the manufacture of Products by the Licensee and until the last applicable statute of limitations expires, Licensee will procure and maintain, at its own cost and expense, product liability insurance written on an occurrence basis from an insurance company rated "A" or above by A.M. Best's providing protection against liability for any alleged damage or injury arising out of any alleged defect in material or workmanship in such Products in the primary amount of 1 million U.S. dollars with respect to any one accident or occurrence, and 1 million U.S. dollars in the aggregate. Licensee shall also procure and maintain, at its own expense, excess liability insurance in the amount of 10 million U.S. dollars in the aggregate. The insurance policy shall name Lanxide K.K. as an additional insured and shall be endorsed to provide for written notification to Lanxide K.K. by insurer not less than 30 days prior to cancellation. Licensee shall provide Lanxide K.K. with a certificate of insurance evidencing such coverage within 15

business days after the manufacture of Products by the Licensee and annually thereafter.

3.7 Inspection and Approval Rights. All uses of the Trademarks on or in connection with the sale or marketing of Products shall be subject to the prior approval of Lanxide K.K. acting on behalf of Lanxide. Licensee shall provide to Lanxide K.K. upon request samples of Products manufactured by Licensee as well as advertising and other publicity materials bearing the Trademarks proposed to be used by Licensee, together with an English language translation if necessary. Licensee shall allow representatives of Lanxide K.K. or Lanxide at all reasonable times to inspect any facility where Products are manufactured which will be sold under the Trademarks.

3.8 Reservation of Rights. No rights are granted under the Trademarks except as expressly set forth in this Section 3. Without limitation, Licensee acknowledges the rights of Lanxide K.K. and Lanxide to use the Trademarks themselves in the Territory or through direct or indirect licensees. All rights granted are subject to the terms of the Lanxide K.K. license.

IV. FEE AND ROYALTY

4.1 Fee Payment and Amount. Licensee shall pay an initial license fee to Lanxide K.K. in Japanese Yen in an amount equal to \$4,000,000 in U.S. dollars, according to the following schedule, plus the amount of any consumption tax in Japan:

Date	Amount
November 15, 1996	\$1,000,000
December 31, 1996	\$1,000,000
June 30, 1997	\$1,000,000
December 31, 1997	\$1,000,000

4.2 Royalty Payment and Amount. Licensee shall pay to Lanxide K.K. a royalty equal [CONFIDENTIAL TREATMENT REQUESTED BY LANXIDE CORPORATION] of the Net Sales Price of all Products which are manufactured in the Territory using the Licensed Technology by Licensee, plus the amount of any consumption tax in Japan. Licensee shall pay such royalty to Lanxide K.K. so long as Licensee shall use the Licensed Technology. In the event that Licensee, for two consecutive periods of three (3) calendar months each, as stipulated in paragraph 4.6, does not pay royalties hereunder at any time following commercialization of the Licensed Technology in the Territory by Licensee as a result of claimed non-use of the Licensed Technology, then Lanxide K.K. shall have the right to terminate this Agreement upon sixty (60) days prior written notice to Licensee.

4.3 Net Sales Price. The "Net Sales Price" referred to in paragraph 4.2 shall mean the invoiced price for a Product less

insurance, transport, bona fide rebates and allowances to the extent identified on the invoice, and less returns and less the purchase price of Raw Materials purchased by Licensee from Lanxide or its Affiliates. The "Net Sales Price" applicable to transfers to Licensee's Affiliates will be the price at which such Products would be sold at the time in question on an arms-length basis to a third party. Where Products are sold or transferred as part of a Subsystem and not separately, the Net Sales Price will be that percentage of the Net Sales Price of the Subsystem equal to the cost of manufacture of the Products divided by the cost of manufacture of the total Subsystem.

4.4 Third Party Royalties. In any case where use of Licensed Technology requires or required Lanxide K.K., Lanxide or LTC to pay a royalty to a third party (whether lump-sum or payable by reference to sales) under the terms of any of the license agreements listed on Schedule 4.4 hereto or any future third party license that Lanxide K.K., Lanxide or LTC may enter into, then in the event that Licensee determines to use such Technology, Licensee will in addition to the royalty specified in paragraph 4.2 be responsible for payment to Lanxide K.K. of a further amount equal to the royalty payable to the third party attributable to sales by Licensee. In case Lanxide K.K., Lanxide or LTC need to obtain a third party technology which Lanxide K.K., Lanxide or LTC are aware may be useful to Licensee and therefore may require Licensee to be responsible for additional royalty, Lanxide K.K., Lanxide or LTC shall let Licensee know the need, with prior written form, and consult with Licensee as to whether such additional Technology is truly necessary. If Licensee decides such Technology is unnecessary, Licensee shall have the right not to use such third party Technology and therefore not be required to pay any third party royalty associated therewith. Even though Licensee decides such Technology is unnecessary, subject to the terms of this Agreement, Licensee can use Licensed Technology not requiring such third party royalty, including the right to purchase Raw Materials. The parties hereto agree, however, that Licensee shall be under no obligation to use any Technology requiring payment of royalty to any third party, and the decision to use such Technology shall be solely at Licensee's discretion.

4.5 Tax Withholding. Licensee may withhold taxes from royalties payable hereunder only to the extent that such withholding is required under Japanese law. Licensee shall provide copies of all documents required by Lanxide K.K. hereunder to claim credit for such tax payment.

4.6 Payment and Accounting. Royalties due under this Agreement shall be paid in Japanese yen to the bank account specified by Lanxide K.K. within 45 days after each of December 31, March 31, June 30 and September 30, in relation to the period of three (3) calendar months (or less in the case of the first or final such period) ending on such date. At the same time as payment of royalties is made, Licensee shall provide to Lanxide K.K. a statement setting out the sales or transfers of Products manufactured using the Licensed Technology made during the period to which such royalties relate, the type and description of the

Products in question, the applicable Net Sales Price, the amount of royalties payable and the amount of any tax withheld. Overdue payments shall bear interest at the annual rate of two percent (2%) above the short term loan prime rate of Citibank, N.A. in Tokyo.

4.7 Books and Records. Licensee shall keep proper books and records showing the description and price of Products sold or transferred by Licensee, and such records shall be open at all reasonable times to inspection by Lanxide K.K. or its representatives, who shall be entitled to take copies of such books and records.

V. TERM AND TERMINATION

5.1 Effective Date. This Agreement shall come into effect upon the later of (i) unconditional grant of all necessary United States and Japanese government approvals required for its validity and for performance of the obligations contained in this Agreement; or (ii) the Effective Date first written above. This Agreement shall thereafter be perpetual, subject to earlier termination as provided herein.

5.2 Events of Termination. This Agreement may be earlier terminated upon the happening of any of the following events:

(i) Upon written notice by Lanxide K.K., in the event of termination of the Lanxide K.K. License;

(ii) Upon written notice by Licensee to Lanxide K.K. in the event that Lanxide K.K. is in material breach of any of its obligations under this Agreement as a result of action or inaction by some Person other than Licensee or a Person controlled by Licensee, and Lanxide K.K. fails to remedy that breach within 45 days after receipt of written notice from Licensee, requiring it to remedy that breach;

(iii) a) Upon written notice from Lanxide K. K. to Licensee, in the event that Licensee is in material breach of any of its obligations under this Agreement, and Licensee fails to remedy that breach within 60 days after receipt of written notice requiring Licensee to remedy that breach; b) Any of Licensee's shareholders are in material breach of any of their obligations under either the Joint Development Agreement among Akebono Brake Industry Co., Ltd., Nihon Cement Co., Ltd., and Lanxide, or the Joint Venture Agreement, both dated October 25, 1996 and such Licensee's shareholder in breach and/or other Licensee's shareholders fail to remedy that breach within 60 days after receipt by all Licensee's shareholders of written notice from a party to the respective agreement requiring remedy of that breach.

(iv) Upon written notice by Licensee, in the event that Lanxide K.K. ceases to carry on business, becomes or is declared insolvent, files or has filed against it a petition in bankruptcy, has a receiver appointed over its assets, or takes or has taken against it any similar act as a result of debt, as a result of action or inaction by some

Person other than Licensee or a Person controlled by Licensee;

(v) Upon written notice by Lanxide K.K., in the event that Licensee ceases to carry on business, becomes or is declared insolvent, files or has filed against it a petition in bankruptcy, has a receiver appointed over its assets, or takes or has taken against it any similar act as a result of debt, as a result of action or inaction by some Person other than Lanxide K.K. or a Person controlled by Lanxide K.K.;

(vi) Upon one hundred and eighty (180) days prior written notice by either party, in the event that any governmental agency or court requires substantial modifications to the provisions of this Agreement;

(vii) Upon written notice by Licensee to Lanxide K.K.; or

(viii) As provided in paragraph 4.2.

5.3 Effects of Termination. On termination or expiration of this Agreement, the following provisions shall have effect:

(i) All licenses granted to Licensee and any authorized sublicensees shall forthwith cease and Licensee shall cooperate in cancelling any registration of such licenses.

(ii) Licensee and any authorized sublicensees shall forthwith cease all use of the Licensed Technology and the Trademarks.

(iii) Termination of this Agreement shall not affect the continued enforceability of paragraph 3.6 and Sections 8 and 9 and the continued existence of the license back under paragraph 7.1 of improvements and inventions made up to the date of termination.

(iv) All amounts owing for royalties shall be immediately due and payable.

(v) Licensee and any authorized sublicensees shall promptly deliver all Proprietary Information in all forms to Lanxide K.K. or to its authorized representatives.

Notwithstanding the provisions of subparagraphs 5.3(i) and (ii), Licensee shall have the right to sell in the Territory all Products it has manufactured prior to termination of this Agreement.

5.4 Lanxide K.K. License. In the event that Lanxide ceases to carry on business, becomes or is declared insolvent, files or has filed against it a petition in bankruptcy, has a receiver appointed over its assets, or takes or has taken against it any similar act as a result of debt, as a result of action or inaction by some Person other than Licensee or Lanxide K.K. or a Person controlled by Licensee or Lanxide K.K.; Lanxide K.K. shall take measures under the applicable laws to

retain its rights under the Lanxide K.K. License, and under any agreement supplementary to the Lanxide K.K. License, to the Licensed Technology, as such rights existed immediately before the happening of such an event for a term equal to any remaining duration of the Lanxide K.K. License (including all extension(s)) in accordance with the Bankruptcy Code of 1978 as amended, Section 365(n)(1)(B).

VI. GOVERNMENT REGULATIONS, ETC.

6.1 Compliance with Government Regulations. The grant of licenses and the transfer of Licensed Technology under this Agreement shall be conditional on all necessary governmental consents and licenses being obtained and maintained. Lanxide K.K. and Licensee shall use reasonable efforts to obtain all such consents and licenses. Licensee shall comply with all Government Regulations governing export of goods and information from the United States and from the Territory, including without limitation the Export Administration Regulations of the United States (15 C.F.R. 730, et seq.) as such may be amended from time to time, and the terms of any licenses or consents obtained.

VII. PATENTS AND IMPROVEMENTS

7.1 Rights in Inventions. During the term of this Agreement, Licensee shall promptly disclose to Lanxide K.K. any inventions or improvements which relate solely to composition and processing of Ceramic-Reinforced Aluminum as material for Products (specifically excluding any inventions or improvements which relate to the design and/or performance of Products themselves as brake parts or components) that are made by Licensee's employees or by the employees of any authorized sublicensees without the participation of any of the employees of Lanxide K.K., Lanxide or their Affiliates and Licensee shall obtain the right to grant, and grant, to Lanxide K.K. a full worldwide, royalty-free, perpetual, irrevocable, non-exclusive license to make, use and sell such improvements or inventions in any manner not prevented by the terms of the license to Licensee under this Agreement, with full right by Lanxide K.K. to grant sublicenses of such improvements or inventions which themselves include the right to sublicense.

The provisions of this paragraph 7.1 shall not affect the ownership of inventions or improvements made by employees of Lanxide K.K. or Lanxide or their Affiliates (with or without the participation of the employees of the Licensee or its authorized sublicensees) which inventions and improvements shall be the property of Lanxide K.K., Lanxide or their Affiliates, but subject to the license granted under this Agreement.

7.2 Prosecution and Registration. Licensee shall not seek any patent or other intellectual property registration in relation to the Licensed Technology in its own name, other than in relation to improvements and inventions made by Licensee's employees. Licensee may

register its license to use the Licensed Technology granted under this Agreement (Tsujo Jisshiken) with the Patent Office of Japan. Lanxide K.K. shall cooperate or cause Lanxide and LTC to cooperate with Licensee in registering the technology license granted under this Agreement, including the execution and delivery of all documents necessary or desirable for obtaining such registration.

7.3 Actions and Claims Against Third Parties. If, during the term of this Agreement, Licensee learns of any infringement, unfair competition or misappropriation ("Infringement") by a third party of any Licensed Technology exclusively licensed to Licensee, Licensee shall promptly and fully notify Lanxide K.K. in writing.

7.4 Infringement Claims by Third Parties. If, during the term of this Agreement, any claim or action is threatened or commenced by a third party alleging Infringement of third party rights in the Territory by practice of the Licensed Technology by Licensee, Licensee shall promptly and fully notify Lanxide K.K. in writing.

7.5 Procedure. Lanxide K.K., Lanxide, and LTC individually or collectively, shall have the right, but not the obligation, to take all reasonable steps to prosecute or defend any claim or action relating to the matters set forth in paragraphs 7.3 and 7.4, and may institute, defend, or settle claims, actions or proceedings at their expense. In the event that Lanxide, Lanxide K.K., or LTC choose to prosecute or defend any such claim or action, Lanxide, Lanxide K.K., or LTC, either individually or collectively, shall have the sole right to control all negotiations and litigation and to settle any and all litigation at their own expense. Licensee, at the request of any of Lanxide K.K., Lanxide, or LTC shall render all reasonable assistance and cooperation at their own expense. If each of Lanxide K.K., Lanxide, or LTC refuses or fails to take or defend such actions within six (6) months after receipt of the notice described in paragraphs 7.3 and 7.4 (or such shorter period as shall be reasonable in the circumstances), then, upon Licensee's written request and at Licensee's expense (except as provided in paragraph 9.1), Lanxide K.K., Lanxide, and LTC individually or collectively, shall cooperate with Licensee and render all reasonable assistance to Licensee in instituting, defending or settling such actions or claims or proceedings. In such case, Lanxide K.K., at its own expense, shall have the right to participate in such proceedings through Lanxide K.K.'s own counsel. Except as provided in paragraph 9.1, in no event shall Lanxide K.K., Lanxide, or LTC bear any expense of any claims, actions, or proceedings not instituted or defended by Lanxide K.K., Lanxide, or LTC unless their written consent is obtained prior to the institution or defense of such claims, actions, or proceedings. In addition, Lanxide K.K. may request that Licensee modify or terminate any practices which have given rise to a claim of Infringement of third party rights. Any damages obtained from a third party shall be for the account of the party prosecuting the claim, action, or proceeding against such third party in which such damages are recovered.

VIII. CONFIDENTIALITY, RESTRICTED DISCLOSURE AND LIMITED USE COMMITMENTS.

8.1 Confidentiality Undertaking. The parties hereto shall (i) treat as confidential all Proprietary Information (as hereinafter defined) which is obtained by a receiving party (Lanxide K.K. or Licensee, as the case may be) directly or indirectly from a disclosing party (Licensee or each of Lanxide K.K., Lanxide, or LTC, as the case may be) in connection with this Agreement, and (ii) not disclose the same to any third party nor use the same, except as provided herein. The provisions of this Section shall apply, without limitation, to all information learned by the parties in the course of implementing this Agreement concerning the business, assets, customers, processes or methods of Lanxide K.K., Lanxide, LTC, or Licensee, or their Affiliates. The provisions of Section 8 shall remain in effect during the term of this Agreement and for a period of five (5) years after termination or expiration of the Agreement.

8.2 Proprietary Information. As used herein, "Proprietary Information" means any information of Lanxide K.K., Lanxide, LTC, Licensee, or their Affiliates that might reasonably be considered proprietary, sensitive or private, including but not limited to the following:

(i) Technical information, know-how, data, techniques, discoveries, inventions, ideas, unpublished patent applications, proprietary information, formulae, analyses, laboratory reports, other reports, financial information, studies, findings, or other information relating to Lanxide K.K., Lanxide, LTC, Licensee, or their Affiliates, or the Licensed Technology or methods or techniques used by Lanxide K.K., Lanxide, LTC, Licensee, or their Affiliates, whether or not contained in samples, documents, sketches, photographs, drawings, lists, and the like;

(ii) Data and other information employed in connection with the marketing of the products of Lanxide K.K., Lanxide, LTC or Licensee, or their Affiliates including cost information, business policies and procedures, revenues and markets, distributors and customers, and similar items of information whether or not contained in documents or other tangible materials; and

(iii) Any other information obtained by the parties to this Agreement during the term hereof, that is not generally known to, and not readily ascertainable by proper means by, third parties.

8.3 Precautions. The parties hereto shall take all appropriate steps to prevent unauthorized disclosure of any Proprietary Information by their employees, which steps include the execution or acceptance by all such persons of written agreements containing obligations of confidentiality, restricted disclosure and limited use relative thereto consistent with this Section 8 prior to disclosure of Proprietary

Information to them. The parties shall not permit access to Proprietary Information by their employees, except on a need-to-know basis. The parties shall further take all appropriate steps to protect the Proprietary Information against espionage, misuse, loss or theft.

8.4 Exclusions. The provisions of Section 8 shall not apply to any Proprietary Information that (i) has become generally available to the public through no fault of the receiving party (Lanxide K.K. or Licensee, as the case may be) or its employees, (ii) the receiving party can prove by clear and convincing documentary evidence was in its possession before disclosure hereunder and did not come directly or indirectly from the disclosing party (either Licensee or any of Lanxide K.K., Lanxide, or LTC, as the case may be) , or their Affiliates, (iii) becomes known to the receiving party through lawful disclosure from a third party that is not subject to a confidentiality agreement with the disclosing party (either Licensee or any of Lanxide K.K., Lanxide, or LTC, as the case may be) or their Affiliates, or (iv) the receiving party can prove by clear and convincing documentary evidence has been or is developed by the receiving party independent of any such Proprietary Information disclosed by the disclosing party.

8.5 Permitted Disclosure. Proprietary Information may not be disclosed by the receiving party without the prior written consent of Lanxide K.K. or Licensee, except that;

(i) Lanxide K.K. may disclose Licensee's Proprietary Information to the extent of the inventions and improvements described in paragraph 7.1 hereunder to its Affiliates or its other licensees or sublicensees of the Licensed Technology, provided that prior to disclosure of the Proprietary Information, such Persons execute written agreements containing obligations of confidentiality consistent with this Section 8.

(ii) In the event that a third party wishes to evaluate Licensee's proprietary technology to the extent of the inventions and improvements described in paragraph 7.1 hereunder in connection with a business transaction with Lanxide K.K. or its Affiliates, Lanxide K.K. may disclose as much of Licensee's Proprietary Information to that third party as is necessary to conduct such evaluation, provided that prior to disclosure such third party executes a written agreement prohibiting use of the Proprietary Information for any reason other than evaluation of this technology and containing obligations of confidentiality consistent with this Section 8.

8.6 Government Regulations. The provisions of this Section 8 shall not be deemed to obligate either party to do or refrain from doing any act, the doing or not doing of which would cause or reasonably be expected to cause either party to fail to fulfill or comply with any obligation or requirement imposed by any Government Regulation, provided that, any disclosures of Proprietary Information made to fulfill or comply with any such Government Regulation shall be made (i) only after

notice to the other party, and (ii) under conditions invoking all confidentiality protections as are available by law or regulation.

IX. MISCELLANEOUS

9.1 No Warranties. Lanxide K.K. makes no warranty or representation with respect to the Licensed Technology or other assistance furnished under this Agreement, or with respect to the Trademarks, nor is Lanxide K.K. in any way responsible for the accuracy, utility or completeness of any Licensed Technology or other assistance furnished under this Agreement. LANXIDE K.K. HEREBY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES AND REPRESENTATIONS, EXPRESS OR IMPLIED, ARISING BY LAW OR CUSTOM, WITH RESPECT TO THE LICENSED TECHNOLOGY, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. LANXIDE K.K. DOES NOT IN ANY WAY PROMISE THAT THE LICENSED TECHNOLOGY WILL PRODUCE ANY PARTICULAR RESULTS, PRODUCTS OR PROFITABILITY.

9.2 Force Majeure. Neither party shall be liable for failure to perform its obligations hereunder for so long as that failure may be the result of an event beyond its reasonable control (a "force majeure" event) , provided that such party uses all reasonable efforts to comply with the terms of this Agreement to the extent that it is able to do so. However, if such failure due to force majeure by either party to perform any part of this Agreement should continue for six (6) months, the other party shall have the right to terminate this Agreement.

9.3 Waivers. The failure at any time of either party to require performance by the other party of any obligation required by this Agreement shall in no way affect such party's right to require such performance at any time thereafter, nor shall the waiver by either party of a breach of any provision of this Agreement by the other party constitute a waiver of any other breach of the same or any other provision or constitute a waiver of the obligation itself.

9.4 Amendment. This Agreement may be amended only by an instrument in writing duly executed by the duly authorized representatives of the parties hereto.

9.5 Assignability. This Agreement may not, without prior written agreement by Lanxide, be assigned. Any permitted assignment shall not relieve Licensee from any obligations hereunder incurred prior to such assignment.

9.6 Notices. In any case where any notice or other communication is required or permitted to be given hereunder (including, without limitation, any change in the information set forth in this paragraph 9.6) such notice or communication (i) shall be in writing and in the English language, (ii) shall be sent to the parties set out below, and (iii) shall be (A) personally delivered, (B) sent by postage prepaid registered mail, (C) transmitted by telecopy receipt of which is

confirmed, or (D) sent by courier service requiring signature on receipt, as, follows:

If to Lanxide K.K., to:

Lanxide K.K.
2-2-22, Shiba-koen
Minato-ku
Tokyo 105, Japan
Fax: 03-3432-3045

Attention: President

If to Licensee, to:

AKN Corporation
2-2-22, Shiba-koen
Minato-ku
Tokyo 105 Japan
Fax: 03-3432-3045

Attention: President

All such notices or other communications shall be deemed to have been given or received (i) upon receipt if personally delivered, or if by courier, (ii) on the third business day following posting if by postage prepaid registered mail, or (iii) when sent with confirmed answer back if sent by telecopy.

9.7 Choice of Law. This Agreement shall be construed and enforced in accordance with and governed by the internal laws of Japan.

9.8 Arbitration. Any and all disputes, controversies or differences arising from or in relation to or in connection with this Agreement or a transaction conducted under this Agreement shall be settled by mutual consultation between the parties in good faith as promptly as possible, but failing an amicable settlement, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the International Chamber of Commerce, by which each party agrees to be bound. The arbitration shall be held in Tokyo, Japan. The award of the arbitrator shall be final and binding upon the parties.

9.9 Interpretation. The headings of the sections and paragraphs in this Agreement are provided for convenience of reference only and shall not be deemed to constitute a part hereof. The Agreement is executed in the English language.

9.10 Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter of this Agreement and supersedes all prior agreements and understandings, oral and written, if any, among the parties hereto with respect to the

subject matter of this Agreement.

9.11 Severability. Should any provision of this Agreement be deemed in contradiction with the laws of any jurisdiction in which it is to be performed or unenforceable for any reason, such provision shall be deemed null and void, but, except as provided in paragraph 5.2, this Agreement shall remain in force in all other respects.

9.12 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the day and year first above written.

LANXIDE K.K.

AKN CORPORATION

By: /s/ Marc S. Newkirk
Name: Marc S. Newkirk
Title: President

By: /s/ Shunro Ueda
Name:: Shunro Ueda
Title: President

ACCEPTED AND AGREED TO BY:

LANXIDE CORPORATION

LANXIDE TECHNOLOGY COMPANY L.P.

BY: LANXIDE CORPORATION
GENERAL PARTNER

By: /s/ Marc S. Newkirk
Name: Marc S. Newkirk
Title: President

By: /s/ Marc S. Newkirk
Name: Marc S. Newkirk
Title: President

SCHEDULE 1.6

Technology which is, or may in the future be

(i) provided to Lanxide or its Affiliates under Non Disclosure Agreements and is identified as the proprietary information of the disclosing party.

(ii) designated as classified by a government agency.

(iii) controlled by the export regulations of the United States.

(iv) provided under license to Lanxide or its Affiliates with limits on its use or transfer.

SCHEDULE 4.4

None

SCHEDULE A

PRODUCTS

"Products" shall mean

Brake rotors, brake drums, brake shoes, brake pistons, brake caliper bodies, brake pad backing plates, brake caliper anchors, steering knuckles, drum brake back plates, brake torque anchor support plates, disc brake back plates, wheel hubs, brake dust shields, brake modulator housings, brake pressure control valve housings, wheel brake cylinder housings, and brake master cylinder housings, all made only from Ceramic-Reinforced Aluminum for use only on passenger cars, trucks, buses, trailers, motorcycles, railroad locomotives, railroad rolling stock and industrial equipment.

All of the above definitions shall exclude the following:

1. Sporting Goods

2. Filters for use in materials processing plants which come in direct contact with some portion of materials flow through the process plant.

3. Aerospace components including but not limited to leading edges, nosecones, radomes, control surfaces, struts, stiffeners, skins and air frames for spacecraft, aircraft, and missiles.

4. Heat exchangers including but not limited to recuperators, boilers, waste heat recovery, superheaters, pyrolysis units, reformers, air preheaters and chemical processes, including radiant burner tubes and parts thereof.

5. Gas turbine engine parts including but not limited to land, sea and air, moving and stationary gas turbine engines, and aircraft scramjet and ramjet engines and components thereof.

6. Electrical/electronic substrates, heat sinks or packages, including but not limited to components thereof for active or passive electronic devices, and assemblies thereof.

7. Electronic devices whose primary function is to serve as a capacitor, resistor, inductor, or part thereof, or arrays of same, not including superconductive inductors.

8. Electro-optic and photovoltaic devices whose primary function is to transform electrical signals to optical signals.
9. RFI shielding, electrical ground planes, antennae, and components thereof.
10. Electrical wire and cable, and components thereof.
11. Generators, alternators, or parts thereof not including prime movers, brakes, clutches or other assemblies associated therewith.
12. Electric motors, or parts thereof.
13. Electrical transformers, electromagnets, electric relays, and components thereof.
14. Superconducting inductors.
15. Connectors for electronic devices.
16. Electro-optic and photovoltaic devices whose primary function is to transform optical signals to electrical signals.
17. Electronic devices whose primary function is to serve as a vacuum tube, a discharge tube, a magnetron, a wave guide, emitter, receiver, or part thereof.
18. Solid state electronic transducer, transistor, diode, or integrated circuit wafers, chips or elements.
19. Electric incandescent, fluorescent or discharge lamps, and components thereof.
20. Electrical switches, switchgear, and components thereof.
21. Electric fuel cells, thermoelectric devices and electric batteries, or components thereof.
22. Electrodes and electrical terminations, interconnects, splices, plugs, sockets, and components thereof.
23. Electrical fuses and fusible links, and components thereof.
24. Human or other animal prostheses, including, but not limited to, bone, tooth or organ replacement or supplement.
25. Components, combinations thereof for incorporation into systems, and systems comprising such components, designed specifically to provide ballistic protection for ground vehicles, artillery, amphibious vehicles, aircraft, spacecraft, space installations,

missiles, marine craft, marine installations, and personnel.

26. Components and parts, including but not limited to complete assemblies, that are, or become a direct part of, solid, liquid or gas fueled rocket engines for all military and civilian uses including but not limited to tactical and strategic missile engines and space launch and orbital insertion rocket engines.

27. Products to inhibit corundum formation in aluminum melting furnaces.

28. Abrasive grain for supplying the coated abrasives, bonded abrasives and loose abrasives markets.

29. Grinding wheels.

30. Gun systems, including but not limited to both conventional smokeless propellant driven systems and electromagnetic-driven railgun systems, and/or components therefor.

31. Electric resistance-heated igniters for use as fuel ignition devices in all applications except internal combustion, gas turbine and rocket engine use, including but not limited to components for these applications, such as electrically operated resistance heating elements supports and interconnections for such elements and resistance-heated igniter assemblies.

32. Ceramic and ceramic matrix composite powders, microspheres, tubules and platelets for use as ceramic raw materials or as raw materials for ceramic matrix, metal matrix or polymer matrix composites.

33. Fuel injectors and fuel injector components for use in internal combustion engines.

34. Cutting tools and components for cutting tools including but not limited to broaches, twist drills, gun drills and reamers, countersinks, combination drills and countersinks, counterbores, reamers, hobs, gear shapers, milling cutters, single and double point tools, circular form tools, threading tools, blanks tips and inserts.

35. Track and undercarriage components, track systems and ground contact hull structures including but not limited to those for use on bulldozer, scraper, earthmover, backhoe, skidder, armored vehicle, dragline, conveyor, or mining equipment.

36. Aircraft and marine propellers, rotors and other propulsive devices and shaft seals and components therefor.

37. Inspection tools, including but not limited to gages gage blocks, go no-go gages, joe blocks, inspection systems, coordinate measuring equipment.

38. Sensors, sheathing for sensors, and components thereof.

39. All military component applications.

40. Building product components.

41. Furnace components and hardware including heating elements, kiln rollers, kiln furniture, batts and crucibles.

42. Housewares and components thereof.

43. All engine and power transmission components.

44. Security devices including safes, locks, vaults, and components thereof.

45. Welding electrodes.

46. Paints and Adhesives

Exhibit C

LICENSE AGREEMENT

This License Agreement ("Agreement"), dated as of _____
1997 (the "Effective Date"), is made among

1. Lanxide Technology Company L.P. of 1300 Marrows Road, P.O. Box 6077, Newark, Delaware 19714-6077, U.S.A., a Delaware limited partnership ("LTC"),

2. AKN Corporation of 2-2-22, Shiba-koen, Minato-ku, Tokyo 105, Japan, a Japanese corporation ("Licensee"), and

3. Lanxide Corporation of 1300 Marrows Road, P.O. Box 6077, Newark, Delaware 19714-6077, U.S.A., a Delaware corporation ("Lanxide").

WHEREAS, LTC is wholly owned and controlled by Lanxide; and

WHEREAS LTC holds rights in certain valuable technology and Lanxide holds rights in certain valuable trademarks.

WHEREAS, Licensee wishes to license certain of such rights for the purposes defined herein; and

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

I. DEFINITIONS

Terms used with initial capital letters in this Agreement shall have the meaning set forth below.

1.1 "Affiliate(s)" of a Person means a Person that, directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such Person.

1.2 "Ceramic-Reinforced Aluminum" shall mean materials comprised of a discontinuous ceramic reinforcing phase and a continuous aluminum metal matrix phase.

1.3 "Government Entity" shall mean any sovereign, state or political subdivision thereof, whether foreign or domestic.

1.4 "Government Regulations" shall mean and include any and all terms, conditions and provisions of (a) any law, regulation, order, statute, decree, rule, writ, injunction, determination or award of any court or Governmental Entity and (b) any contract for research, development and/or manufacturing between LTC and any department or agency of the United States government but only to the extent such contracts reflect provisions required by clause (a) above to be included therein.

1.5 "K.K. License" shall mean Exhibit B of the Joint Venture Agreement ("Joint Venture Agreement") referred to in subparagraph 5.2 (i) (b) hereunder.

1.6 "Licensed Technology" shall mean Technology which is now or hereafter owned by LTC, and all other Technology licensed to LTC without restriction upon the grant of sublicenses, that is relevant to Products, but excluding Technology the transfer or license of which, or an interest in which, would be expressly prohibited, despite Lanxides and LTCs best efforts, either generally or specifically, by Government Regulations or contracts with third parties which are further described but not limited to those listed in schedule 1.6 hereto.

1.7 "Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

1.8 "Products" shall mean those items listed as inclusions in Schedule A to this Agreement.

1.9 "Raw Materials" shall mean ceramic powders, ceramic paper, fibers, polymers, and/or castable metal matrix composite ingot produced using technology owned by or licensed to Lanxide or its Affiliates.

1.10 "Subsystem" shall mean a series of connected components

within a System, at least one of which is manufactured using the Licensed Technology.

1.11 "System" shall mean any passenger car, truck, bus, trailer, motorcycle, railroad locomotive, railroad rolling stock or article of industrial equipment.

1.12 "Technology" shall mean technical information, know-how, data, techniques whether patentable or not, patents, patent applications and trade secrets.

1.13 "Territory 1" shall mean the geographic area as defined in Schedule B.

1.14 "Territory 2" shall mean the geographic area of Japan.

1.15 "Trademarks" shall mean the trademark and tradename "LANXIDE", together with all other trademarks owned now or in the future in the Territory by Lanxide.

II. GRANT OF TECHNOLOGY LICENSE

2.1 License of Licensed Technology. Subject to Government Regulations and the provisions of this Agreement, LTC hereby grants to Licensee a perpetual exclusive license to use the Licensed Technology to manufacture Products in Territory 1 and a perpetual non-exclusive license to sell Products manufactured in Territory 1 on a worldwide basis excluding Japan.

2.2 Contingent Additional License. Contingent upon the happening of any event described in subparagraph 5.2 (i) or (iv) or the K.K. License and subject to Government Regulations and the provisions of this agreement, LTC hereby further grants to Licensee a license to use Licensed Technology for the purposes of engaging in the research and development, manufacture, use and sale in Territory 2 of Products.

2.3 Non-Exclusive Using/Selling Rights. The license of Licensed Technology granted under paragraph 2.1 shall be non-exclusive with respect to the use or sale of Products, and shall be subject to the rights, now or in the future, of other authorized users of the Licensed Technology to use or sell Products within or outside Territory 1.

2.4 Limitations on Exclusivity. Except as provided below, the contingent license of Licensed Technology granted under paragraph 2.2 shall be exclusive in the Territory 2 to the extent that the Licensed Technology can be used only in relation to the manufacture, use and sale of Products.

(i) The license shall be non-exclusive to the extent that rights granted to LTC in the future are non-exclusive.

(ii) The license shall be non-exclusive to the extent required by

(iii) The License shall be subject to the rights, now or in the future, of authorized users of the Licensed Technology outside Territory 2 to import into Territory 2 Products which are incorporated in Systems assembled outside Territory 2 and which Systems are then imported into Territory 2.

(iv) The licenses shall be subject to the rights, now or in the future, of authorized users of the Licensed Technology outside Territory 2 to import into Territory 2 Products for repair of Systems assembled outside Territory 2 and previously imported into territory 2.

2.5 Rights Outside Territory. The license granted under paragraph 2.1 shall not include any rights to use the Licensed Technology for the manufacture of Products outside Territory 1 and such license shall not include any right to export Products from Territory 1 except for non-exclusive rights to sell such Products:

(i) outside Territory 1, but excluding Japan;

(ii) which are incorporated in Systems assembled outside Japan and which Systems are then imported into Japan; and

(iii) in Japan for repair of Systems assembled outside Japan and previously imported into Japan.

The contingent license granted under paragraph 2.2 shall not include any rights to use the License Technology outside Territory 2 for any purpose and such license shall not include any right to export from Territory 2 except for:

(a) a non-exclusive right to supply components which are incorporated in Systems assembled inside Territory 2 and which Systems are then exported from Territory 2.

(b) a non-exclusive right to export from Territory 2 components and Subsystems manufactured in Territory 2 for repair of Systems assembled inside Territory 2 and previously exported from Territory 2.

Licensee shall inform its customers of the territorial limits on its license of the Licensed Technology and shall not sell Products to customers which it knows, or reasonably anticipates may, export those Products from Territory 1 or Territory 2 in any manner exceeding the scope of the rights granted to Licensee.

2.6 Sublicense Rights. There shall be no right to sublicense the Licensed Technology except only contingent upon the happening of any event described in subparagraph 5.2 (i) or (iv) of the K.K. License that the Licensee shall be permitted to grant:

(i) one non-exclusive sublicense to use the Licensed Technology only for the purposes of research and development of Products in the form of Exhibit D to the Joint Venture Agreement and,

(ii) one non-exclusive sublicense to use the Licensed Technology only for the purposes of research and development of Products in the form of Exhibit E to the Joint Venture Agreement,

each to the entities identified therein.

2.7 Reservation of Rights. No rights are granted under the Licensed Technology except as expressly set forth in this Section 2 and all rights not expressly granted are reserved.

2.8 Provision of Technology. Subject to applicable Government Regulations, including obtaining any necessary licenses prior to disclosure, LTC or Lanxide shall, in the English language and U.S. units of measurement to Licensee at Licensee's request, make available to Licensee from time-to-time on an as-needed basis and free of cost to Licensee, up to a maximum of 200 hours of technical support to transfer technical information, formulae, data, analyses, know-how, and information with respect to the Licensed Technology to the extent reasonably necessary for the Licensee to use the Licensed Technology for the purposes set out in this Agreement. Additional technical support shall be made available by LTC or Lanxide to Licensee at a cost to Licensee equal to LTC's or Lanxide's fully burdened cost according to Generally Accepted Accounting Principles (GAAP) and on a basis of availability no less favorable to the Licensee than that afforded to any other licensee of the Licensed Technology.

2.9 Protection of Technology. Licensee shall not use and shall not permit its authorized sublicensees to use the Licensed Technology for any purpose other than to manufacture, use and sell Products, as provided in this Agreement. Licensee shall take no action in respect of the Licensed Technology which is inconsistent with the terms of the licenses granted under this Agreement.

2.10 Acknowledgment of Rights; Patent Marking. Licensee acknowledges that Licensee's right to use the Licensed Technology arises only out of the licenses granted under this Agreement. All Products manufactured under issued patents of LTC shall bear a patent notice as may be necessary or desirable under the Laws of the applicable Government Entities.

2.11 Raw Materials. In connection with the licenses hereunder Lanxide agrees to sell and/or cause one or more of its Affiliates to sell to Licensee Licensee's requirements for Raw Materials in quantities and on delivery schedules reasonably needed by Licensee in connection with the manufacture of Products in accordance with the terms of this Agreement. This license does not grant Licensee any right to use the Licensed Technology for the purpose of manufacturing Raw Materials except that Licensee may produce Raw Materials for its own use in manufacturing

Products in accordance with the terms of this License Agreement, but only to the extent of any inability on the part of Lanxide and/or its Affiliates to supply such Raw Materials in accordance with Licensee's reasonable quantity and delivery schedule requirements.

III. TRADEMARK AND TRADENAME LICENSE

3.1 Tradename License. Subject to Government Regulations and the provisions of this Agreement, Lanxide hereby grants to Licensee a non-exclusive license to use the tradename "LANXIDE" except for its use as the name or part of the name of a business entity. Lanxide and Licensee will cooperate in registering such tradename in Territory 1, and contingent upon the happening of any event described in subparagraph 5.2 (i) or (iv) of the K.K. License, Territory 2, as may be necessary or desirable under the laws of Territory 1 and Territory 2, at the expense of Licensee.

3.2 Trademark License. Subject to Government Regulations and the provisions of this Agreement, Lanxide hereby grants to Licensee a non-exclusive license to use the Trademarks in connection with the marketing and sale of Products.

3.3 Sublicensing Rights. The license granted under paragraph 3.1 shall not include the right to grant sublicenses without the prior written consent of Lanxide.

3.4 Registration. Registration of the Trademarks shall only be made in the name of Lanxide or its designee. Licensee shall provide such assistance as Lanxide or its designee may require in relation to such registration at Licensee's expense, including the execution of all documents necessary or desirable for obtaining such registration. In addition, Licensee shall cooperate with Lanxide in seeking the registration of this Agreement or of an executed registered user agreement as may be necessary or desirable under the laws of Territory 1 or Territory 2 to record the trademark license granted under this Agreement with Licensee to bear any associated expenses.

3.5 Acknowledgement of Rights. As among the parties, Licensee acknowledges that the Trademarks and the goodwill associated with the Trademarks are the property of Lanxide and that except to the extent of the license rights granted hereunder, Licensee shall not acquire any rights in such Trademarks or in any registration of the Trademarks. Licensee acknowledges that Licensee's right to use the Trademarks arises only out of the licenses granted under this Agreement. Licensee shall neither challenge nor dispute the rights of Lanxide with respect to use or ownership of the Trademarks. Where Licensee uses the Trademarks, it shall include a notice stating that such Trademarks are the property of Lanxide. However, Lanxide makes no warranty that the Trademarks will be successfully registered in any countries.

3.6 Use of Trademarks; Quality Control. Licensee shall only use the Trademarks in connection with Products manufactured using the Licensed

Technology or as otherwise agreed to in writing by LTC or Lanxide from time to time. The standards of manufacture of such Products shall be at least equal to the standards of quality required by LTC and Lanxide in relation to their other manufacturing or licensing activities. Licensee shall follow all reasonable instructions in relation to the quality of manufacture of Products communicated to it by any representative of LTC or Lanxide. In no event shall Licensee manufacture any Products which are not in accordance with applicable Government Regulations relating to safety and product quality.

3.7 Indemnity and Insurance. Licensee shall indemnify and hold harmless LTC, Lanxide, their Affiliates and their respective directors, officers and employees from and against any losses, claims and damages including reasonable attorney's fees arising out of the manufacture, use or sale of Products by Licensee; provided such losses, claims and damages are not directly attributable to instructions, actions or omissions by LTC, Lanxide, their Affiliates or their respective directors, officers or employees. From the commencement of the manufacture of Products by the Licensee and until the last applicable statute of limitations expires, Licensee will procure and maintain, at its own cost and expense, product liability insurance written on an occurrence basis from an insurance company rated A or above by A. M. Best's providing protection against liability for any alleged damage or injury arising out of any alleged defect in material or workmanship in such Products in the primary amount of 1 million U.S. dollars with respect to any one accident or occurrence, and 1 million U.S. dollars in the aggregate. Licensee shall also procure and maintain, at its own expense, excess liability insurance in the amount of 10 million U.S. dollars in the aggregate. The insurance policy shall name LTC as an additional insured and shall be endorsed to provide for written notification to LTC by insurer not less than 30 days prior to cancellation. Licensee shall provide LTC with a certificate of insurance evidencing such coverage within 15 business days after the manufacture of Products by the Licensee and annually thereafter.

3.8 Inspection and Approval Rights. All uses of the Trademarks on or in connection with the sale or marketing of Products shall be subject to the prior approval of Lanxide. Licensee shall provide to Lanxide upon request samples of Products manufactured by Licensee and its sublicensees as well as advertising and other publicity materials bearing the Trademarks proposed to be used by its authorized sublicensees, together with an English language translation if necessary. Licensee shall allow and cause its sublicensees to permit Lanxide or its representatives at all reasonable times to inspect any facility where Products which will be sold under the Trademarks are manufactured.

3.9 Reservation of Rights. No rights are granted under the Trademarks except as expressly set forth in this Section 3. Without limitation, Licensee acknowledges the rights of Lanxide and its Affiliates to use the Trademarks themselves or through direct or indirect licensees as all or part of a tradename, and in relation to any products or services other than Products, and in relation to Products imported pursuant to

paragraph 2.3 or 2.4. Lanxide expressly reserves the right to assign its entire right, title, and interest in and to the Trademarks to LTC, in which event LTC shall assume Lanxide's rights and obligations under this Agreement.

IV. FEE AND ROYALTY

4.1 Fee Payment and Amount. Licensee shall pay to Lanxide a license fee in accordance with the following schedule:

Date	Amount
Not later than September 30, 1998	\$4,000,000

LTC and Lanxide respectively agree that this amount represents the initial fee for the grant of rights to use the Licensed Technology and the Trademarks pursuant to Sections 2 and 3 above.

4.2 Royalty Payment and Amount. Licensee shall pay to LTC a royalty equal to [CONFIDENTIAL TREATMENT REQUESTED BY LANXIDE CORPORATION] the Net Sales Price of all Products sold by Licensee or any subsequently authorized sublicensees, which are manufactured using the Licensed Technology in Territory 1, and in the event of the happening of any event described in subparagraph 5.2 (i) or (iv) of the K.K. License, also in Territory 2. Licensee shall pay such royalty to LTC so long as Licensee or any subsequently authorized sublicensees shall use the Licensed Technology. In the event that Licensee shall cease to pay royalties as and when required hereunder, then LTC shall have the right to terminate this Agreement upon ninety (90) days prior written notice to Licensee.

4.3 Net Sales Price. The "Net Sales Price" referred to in paragraph 4.2 shall mean the invoiced price for a Product less insurance, transport, bona fide rebates and allowances to the extent identified on the invoice, and less returns, and less the purchase price of Raw Materials purchased by Licensee from Lanxide or its Affiliates. The "Net Sales Price" applicable to transfers to entities affiliated with Licensee will be the price at which such Products would be sold at the time in question on an arms-length basis to a third party. Where Products are sold as part of a Subsystem and not separately, the Net Sales Price will be that percentage of the Net Sales Price of the Subsystem equal to the cost of manufacture of the Products divided by the cost of manufacture of the total Subsystem.

4.4 Third Party Royalties. In any case where use of Licensed Technology requires or required LTC to pay a royalty to a third party (whether lump-sum or payable by reference to sales) under the terms of any of the license agreements listed on Schedule 4.4 hereto or any future third party license that LTC may enter into, then in the event that Licensee determines to use such Technology, Licensee will in addition to the royalty specified in paragraph 4.1 be responsible for payment to LTC of a further amount equal to the royalty payable to the third party attributable to sales by Licensee and its authorized sublicensees. In case LTC needs to obtain a third party Technology which LTC is aware may be useful to

Licensee and therefore may require Licensee to be responsible for additional royalty, Lanxide shall let Licensee know the need, with prior written form, and consult with Licensee as to whether such additional Technology is truly necessary. If Licensee decides such Technology is unnecessary, Licensee shall have the right not to use such third party Technology and therefore not be required to pay any third party royalty associated therewith. Even though Licensee decides such Technology is unnecessary, subject to the terms of this Agreement, Licensee can use Licensed Technology not requiring such third party royalty, including the right to purchase Raw Materials. The parties hereto agree, however, that Licensee shall be under no obligation to use any Technology requiring payment of royalty to any third party, and the decision to use such Technology shall be solely at Licensee's discretion.

4.5 Tax Withholding. Licensee may withhold taxes from royalties payable hereunder only to the extent that such withholding is required under applicable law and to the extent that Licensee provides copies of all documents required by LTC hereunder to claim credit for such foreign tax payment.

4.6 Payment and Accounting. Royalties due under this Agreement shall be paid in U.S. dollars to the bank account specified by LTC within 45 days after each of December 31, March 31, June 30 and September 30, in relation to the period of three (3) calendar months (or less in the case of the first or final such period) ending on such date. At the same time as payment of royalties is made, Licensee shall provide to LTC a statement setting out the sales of Products manufactured using the Licensed Technology made during the period to which such royalties relate, the type and description of Products in question, the applicable Net Sales Price, the amount of royalties payable and the amount of any tax withheld. Overdue payments shall bear interest at the annual rate of two percent (2%) above the prime rate of Citibank, in New York.

4.7 Books and Records. Licensee shall keep proper books and records showing the description and price of Products sold, and such records shall be open at all reasonable times to inspection by Lanxide or its representatives, who shall be entitled to take copies of such books and records.

4.8 Currency Conversion. For the purpose of converting into U.S. dollars the currency in which royalties may arise, the rate of exchange to be applied shall be the rate of exchange for the purchase of U.S. dollars with the currency quoted by Citibank, in New York as at the close of business on the last business day of the quarterly period to which a payment shall relate.

V. TERM AND TERMINATION

5.1 Effective Date. This Agreement shall come into effect upon the Effective Date set forth in the first page hereof. This Agreement shall thereafter be perpetual and non-cancellable, subject to earlier termination

as provided herein.

5.2 Events of Termination. This Agreement may be terminated upon the happening of any of the following events:

(i) (a) Upon written notice from LTC or Lanxide, in the event that Licensee is in material breach or any of its obligations under this Agreement, and Licensee fails to remedy that breach within 60 days after receipt of written notice requiring Licensee to remedy that breach;

(b) Upon written notice from LTC or Lanxide, in the event that Licensee's shareholders are in material breach of any of their obligations under either the Joint Development Agreement among Akebono Brake Industry Co., Ltd., Nihon Cement Co., Ltd., and Lanxide, or the Joint Venture Agreement among Akebono Brake Industry Co., Ltd., Nihon Cement Co., Ltd., Lanxide K. K., Kanematsu Corporation and Lanxide, dated October 25, 1996, and such Licensee's shareholder in breach and/or other Licensee's shareholders fail to remedy that breach within 60 days after receipt by all Licensee's shareholders of written notice from a party to the respective agreement requiring remedy of that breach;

(ii) Upon written notice from LTC or Lanxide, in the event that Licensee ceases to carry on business, becomes or is declared insolvent, files or has filed against it a petition in bankruptcy, has a receiver appointed over its assets, or takes or has taken against it any similar act as a result of debt;

(iii) Upon 180 days prior written notice by LTC, in the event that any Government Entity or court requires substantial modifications to the provisions of this Agreement;

(iv) Upon written notice by Licensee to LTC; or

(v) As provided elsewhere in this Agreement;

5.3 Effects of Termination. On termination of this Agreement, the following provisions shall have effect;

(i) All licenses and rights granted to Licensee by LTC or Lanxide shall forthwith cease and Licensee shall cooperate in cancelling any registration of such licenses.

(ii) Licensee shall, except as otherwise agreed with LTC or Lanxide, as applicable, forthwith cease all use of the Licensed Technology and the Trademarks.

(iii) Termination of this Agreement shall not affect the continued enforceability of paragraph 3.7 and Section 8 and 9 and the continued existence of the license from Licensee to Licensor under paragraph 7.1 hereunder of improvements and inventions made up to the date of termination.

(iv) Licensee shall promptly deliver all Proprietary Information in all forms to LTC or to its authorized representatives.

Notwithstanding the provisions of subparagraphs 5.3 (i) and (ii), Licensee shall have the right to sell in the Territory all Products it has manufactured prior to termination of this Agreement, subject to the payment of all royalties due hereunder.

VI. GOVERNMENT REGULATIONS, ETC.

6.1 Compliance with Government Regulations. The grant of licenses and the transfer of Licensed Technology under this Agreement shall be conditional on all necessary governmental consents and licenses being obtained and maintained. LTC and Licensee shall use reasonable efforts to obtain all such consents and licenses. Licensee shall comply with all Government Regulations governing export of goods and information from Territory 1 and Territory 2 and between the various countries of Territory 1 and Territory 2, including without limitation the Export Administration Regulations of the United States (15 C.F.R. 730 et seq.) as such may be amended from time to time, and the terms of any licenses or consents obtained.

VII. PATENTS AND IMPROVEMENTS

7.1 Rights in Inventions. During the term of this Agreement, Licensee shall promptly disclose to LTC any inventions or improvements which relate solely to composition and processing of Ceramic-Reinforced Aluminum as material for Products (specifically excluding any inventions or improvements which relate to the design and/or performance of Products themselves as brake parts or components) that are made by Licensee's employees or by the employees of any authorized sublicensees without the participation of any of the employees of LTC or its Affiliates and Licensee shall obtain the right to grant, and grant, to LTC a full worldwide, royalty-free, perpetual, irrevocable, non-exclusive license to make, use and sell such improvements or inventions in any manner not prevented by the terms of the license to Licensee under this agreement, with full right by LTC to grant sublicenses of such improvements or inventions which themselves include the right to sublicense.

The provisions of this paragraph 7.1 shall not affect the ownership of inventions or improvements made by employees of LTC or its Affiliates (with or without the participation of the employees of the Licensee or its authorized sublicensees) which inventions and improvements shall be the property of LTC or its Affiliates, but subject to the license granted under this Agreement.

7.2 Prosecution and Registration. Licensee shall not seek any patent or other intellectual property registration in relation to the Licensed Technology in its own name, other than improvements and inventions relating to the Licensed Technology made by Licensee's employees with or

without the participation of employees of authorized sublicensees or contract manufacturers. Licensee will cooperate with LTC as reasonably requested by LTC in relation to obtaining and prosecuting patents in the name of LTC. In addition LTC and Licensee shall cooperate in seeking the registration of this Agreement or of an executed registered user agreement as may be necessary or desirable under the laws of any country to record the patent license granted under this Agreement at the reasonable expense of Licensee.

7.3 Actions and Claims Against Third Parties. If, during the term of this Agreement, Licensee learns of any infringement, unfair competition or misappropriation ("Infringement") by a third party of any Licensed Technology licensed exclusively to Licensee, Licensee shall promptly and fully notify LTC in writing.

7.4 Infringement Claims by Third Parties. If, during the term of this Agreement, any claim or action is threatened or commenced by a third party alleging Infringement of third party rights by practice of Licensed Technology by Licensee, Licensee shall promptly and fully notify LTC in writing.

7.5 Procedure. LTC shall have the right, but not the obligation, to take all reasonable steps to prosecute or defend any such claim or action relating to the matter set forth in paragraphs 7.3 or 7.4, and may institute, defend, or settle claims, actions or proceedings at its expense. Licensee, at LTC's request shall render all reasonable assistance and cooperation at LTC's expense. If LTC refuses or fails to take or defend such actions within six (6) months after receipt of the notice described above (or such shorter period as shall be reasonable in the circumstances), then Licensee shall have the right (but not the obligation), after first notifying LTC in writing, to institute, defend or settle such actions or claims or proceedings, which shall be at Licensee's expense. In such case LTC, at Licensee's request, shall render all reasonable assistance and cooperation at Licensee's expense, and LTC shall have the right to participate in such proceedings through LTC's own counsel. In no event shall LTC bear any expense of any claims, actions, or proceedings not instituted or defended by LTC unless their written consent is obtained prior to the institution or defense of such claims, actions, or proceedings. In addition, LTC will have the right to instruct Licensee to modify or terminate any practices which have given rise to a claim of Infringement of third party rights.

VIII. CONFIDENTIALITY, RESTRICTED DISCLOSURE AND LIMITED USE COMMITMENTS.

8.1 Confidentiality Undertaking. The parties hereto shall (i) treat as confidential all Proprietary Information (as hereinafter defined) which is obtained by a receiving party directly or indirectly from a disclosing party in connection with this Agreement, and (ii) not disclose the same to any third party nor use the same, except as provided herein. The provisions of this Section shall apply, without limitation, to all

information learned by the parties in the course of implementing this Agreement concerning the business, assets, customers, processes or methods of Lanxide, LTC, or Licensee, or their Affiliates. The provisions of Section 8 shall remain in effect during the term of this Agreement and for a period of five (5) years after termination or expiration of the Agreement.

8.2 Proprietary Information. As used herein, "Proprietary Information" means any information of Lanxide, LTC, Licensee, or their Affiliates that might reasonably be considered proprietary, sensitive or private, including but not limited to the following:

(i) Technical information, know-how, data, techniques, discoveries, inventions, ideas, unpublished patent applications, proprietary information, formulae, analyses, laboratory reports, other reports, financial information, studies, findings, or other information relating to Lanxide, LTC, Licensee, or their Affiliates, or the Licensed Technology or methods or techniques used by Lanxide, LTC, Licensee, or their Affiliates, whether or not contained in samples, documents, sketches, photographs, drawings, lists, and the like;

(ii) Data and other information employed in connection with the marketing of the products of Lanxide, LTC, Licensee, or their Affiliates including cost information, business policies and procedures, revenues and markets, distributors and customers, and similar items of information whether or not contained in documents or other tangible materials; and

(iii) Any other information obtained by the parties to this Agreement during the term hereof, that is not generally known to, and not readily ascertainable by proper means by, third parties.

8.3 Precautions. The parties hereto shall take all appropriate steps to prevent unauthorized disclosure of any Proprietary Information by their employees, which steps include the execution by all such persons of written agreements containing obligations of confidentiality, restricted disclosure and limited use relative thereto consistent with this Section 8 prior to disclosure of Proprietary Information to them. The parties shall not permit access to Proprietary Information by their employees, except on a need-to-know basis. The parties shall further take all appropriate steps to protect the Proprietary Information against espionage, misuse, loss or theft.

8.4 Exclusions. The provisions of Section 8 shall not apply to any Proprietary Information that (i) has become generally available to the public through no fault of the receiving party or its employees, (ii) the receiving party can prove by clear and convincing documentary evidence was in its possession before disclosure hereunder and did not come directly or indirectly from the disclosing party, (iii) becomes known to the receiving party through lawful disclosure from a third party that is not subject to a confidentiality agreement with any disclosing party or Affiliate, or (iv) the receiving party can prove by clear and convincing documentary evidence

has been or is developed by the receiving party independent of any such Proprietary Information disclosed by the disclosing party.

8.5 Permitted Disclosure. Proprietary Information may not be disclosed by the receiving party without the prior written consent of the disclosing party, except that:

(i) Lanxide may disclose Licensee's Proprietary Information to the extent of the inventions and improvements described in paragraph 7.1 hereunder to its Affiliates or its other licensees or sublicensees of the Licensed Technology, provided that prior to disclosure of the Proprietary Information, such Persons execute written agreements containing obligations of confidentiality consistent with this Section 8.

(ii) In the event that a third party wishes to evaluate Licensee's proprietary technology to the extent of the inventions and improvements described in paragraph 7.1 hereunder in connection with a business transaction with Lanxide or its Affiliates, Lanxide may disclose as much of Licensee's Proprietary Information to that third party as is necessary to conduct such evaluation, provided that prior to disclosure such third party executes a written agreement prohibiting use of the Proprietary Information for any reason other than evaluation of this technology and containing obligations of confidentiality consistent with this Section 8.

8.6 Government Regulations. The provisions of this Section 8 shall not be deemed to obligate either party to do or refrain from doing any act, the doing or not doing of which would cause or reasonably be expected to cause either party to fail to fulfill or comply with any obligation or requirement imposed by any Government Regulation, provided that, any disclosures of Proprietary Information made to fulfill or comply with any such Government Regulation shall be made (i) only after notice to the other party, and (ii) under conditions invoking all confidentiality protections as are available by law or regulation.

IX. MISCELLANEOUS

9.1 Warranties. LTC and Lanxide make no warranty or representation with respect to the Trademarks the Licensed Technology or other assistance furnished under this Agreement, or with respect to the Trademarks, nor are LTC or Lanxide in any way responsible for the accuracy, utility or completeness of any Licensed Technology or other assistance furnished under this Agreement. LTC AND LANXIDE HEREBY EXPRESSLY DISCLAIM ANY AND ALL WARRANTIES AND REPRESENTATIONS, EXPRESS OR IMPLIED, ARISING BY LAW OR CUSTOM, WITH RESPECT TO THE TRADEMARKS OR THE LICENSED TECHNOLOGY, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE. LTC AND LANXIDE DO NOT IN ANY WAY PROMISE THAT THE LICENSED TECHNOLOGY WILL PRODUCE ANY PARTICULAR RESULTS, PRODUCTS OR PROFITABILITY.

9.2 Force Majeure. No party shall be liable for failure to perform its obligations hereunder for so long as that failure may be the result of

any event beyond its reasonable control (a "force majeure" event), provided that such party uses all reasonable efforts to comply with the terms of this Agreement to the extent that it is able to do so. However, if such failure due to force majeure by any party to perform any part of this Agreement should continue for six (6) months, any other party shall have the right to terminate this Agreement.

9.3 Waivers. The failure at any time of any party to require performance by the other party of any obligation required by this Agreement shall in no way affect such party's right to require such performance at any time thereafter, nor shall the waiver by any party of a breach of any provision of this Agreement by any other party constitute a waiver of any other breach of the same or any other provision or constitute a waiver of the obligation itself.

9.4 Amendment. This Agreement may be amended only by an instrument in writing duly executed by duly authorized representative of the parties hereto.

9.5 Assignability. This Agreement shall be binding upon and inure to the benefit of the permitted successors and assigns of each party hereto. Neither this Agreement nor any right or obligation hereunder may be assigned or delegated in whole or in part by any party without the prior written consent of the other parties, except that LTC shall have the right to transfer its rights and obligations to an Affiliate. Any permitted assignment shall not relieve Licensee from any obligations hereunder incurred prior to such assignment.

9.6 Notices. In any case where any notice or other communication is required or permitted to be given hereunder (including, without limitation, any change in the information set forth in this paragraph 9.6) such notice or communication (i) shall be in writing and in the English language, (ii) shall be sent to the parties set out below, and (iii) shall be (A) personally delivered, (B) sent by postage prepaid registered airmail, (C) transmitted by telecopy receipt of which is confirmed, (D) sent by courier service requiring signature on receipt, as follows: If to LTC, to:

Lanxide Technology Company, L.P.
c/o Lanxide Corporation, General Partner
1300 Marrows Road
P.O. Box 6077
Newark, DE 19714-6077
FAX: (302)-454-1712
Attention: President

If to Lanxide, to:
Lanxide Corporation
1300 Marrows Road
P.O. Box 6077
Newark, Delaware 19714-6077

FAX: (302) 454-1712
Attention: President

If to Licensee, to:
AKN Corporation
2-2-22, Shiba-koen
Minato-ku, Tokyo 105, Japan
FAX: 03-3432-3045
Attention: President

All such notices or other communications shall be deemed to have been given or received (i) upon receipt if personally delivered, or if by courier, (ii) on the tenth business day following posting if by postage prepaid registered airmail, or (iii) when sent with confirmed answer back if sent by telecopy.

9.7 Choice of Law. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Delaware, United States of America.

9.8 Forum Jurisdiction, Venue and Service. The Licensee hereby irrevocably and unconditionally:

(i) agrees that any action, suit or proceeding by any person arising from or relating to this Agreement or any statement, course of conduct, act, omission, or event occurring in connection herewith (collectively, "Related Litigation") may be brought in any state or federal court of competent jurisdiction sitting in the State of Delaware, submits to the jurisdiction of such courts, and to the fullest extent permitted by law agrees that it will not bring any Related Litigation in any other forum;

(ii) waives any objection which it may have at any time to the laying of venue of any Related Litigation brought in any such court, waives any claim that any such Related Litigation has been brought in an inconvenient forum, and waives any right to object, with respect to any Related Litigation brought in any such court, that such court does not have jurisdiction over the Licensee; and

(iii) consents and agrees to service of any summons, complaint or other legal process in any Related Litigation by registered or certified U.S. mail, postage prepaid, to the Licensee at the address for notices described in paragraph 9.6 hereof, and consents and agrees that such service shall constitute in every respect valid and effective service (but nothing herein shall affect the validity or effectiveness of process served in any other manner permitted by law).

9.9 Interpretation. The headings of the sections and paragraphs in this Agreement are provided for convenience of reference only and shall not be deemed to constitute a part hereof. The Agreement is executed in the English language.

9.10 Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter of this Agreement and supersedes all prior agreements (including without limitation the license agreement entered into among the parties hereto as of , 1996) and understandings, oral and written, if any, among the parties hereto with respect to the subject matter of this Agreement.

9.11 Severability. Should any provision of this Agreement be deemed in contradiction with the laws of any jurisdiction in which it is to be performed or unenforceable for any reason, such provision shall be deemed null and void, but, except as provided in paragraph 5.2, this Agreement shall remain in force in all other respects.

9.12 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the day and year first above written.

LANXIDE TECHNOLOGY COMPANY, L.P.

AKN CORPORATION

By: LANXIDE CORPORATION
General Partner

By:

By:

NAME:

NAME:

TITLE:

TITLE:

LANXIDE CORPORATION

BY:

NAME:

TITLE:

SCHEDULE 1.6

Technology which is, or may in the future be

(i) provided to Lanxide or its Affiliates under Non Disclosure Agreements and is identified as the proprietary information of the disclosing party.

(ii) designated as classified by a government agency.

(iii) controlled by the export regulations of the United States.

(iv) provided under license to Lanxide or its Affiliates with limits on its use or transfer.

SCHEDULE 4.4

None

SCHEDULE A

PRODUCTS

"Products" shall mean

Brake rotors, brake drums, brake shoes, brake pistons, brake caliper bodies, brake pad backing plates, brake caliper anchors, and steering knuckles, drum brake back plates, brake torque anchor support plates, disc brake back plates, wheel hubs, brake dust shields, brake modulator housings, brake pressure control valve housings, wheel brake cylinder housings, and brake master cylinder housings, all made only from Ceramic-Reinforced Aluminum for use only on passenger cars, trucks, buses, trailers, motorcycles, railroad locomotives, railroad rolling stock and industrial equipment.

All of the above definitions shall exclude the following:

1. Sporting Goods

2. Filters for use in materials processing plants which come in direct contact with some portion of materials flow through the process plant.

3. Aerospace components including but not limited to leading edges, nosecones, radomes, control surfaces, struts, stiffeners, skins and air frames for spacecraft, aircraft, and missiles.

4. Heat exchangers including but not limited to recuperators, boilers, waste heat recovery, superheaters, pyrolysis units, reformers, air preheaters and chemical processes, including radiant burner tubes and parts thereof.

5. Gas turbine engine parts including but not limited to land, sea and air, moving and stationary gas turbine engines, and aircraft scramjet and ramjet engines and components thereof.

6. Electrical/electronic substrates, heat sinks or packages, including but not limited to components thereof for active or passive electronic devices, and assemblies thereof.

7. Electronic devices whose primary function is to serve as a capacitor, resistor, inductor, or part thereof, or arrays of same, not including superconductive inductors.

8. Electro-optic and photovoltaic devices whose primary function is to transform electrical signals to optical signals.

9. RFI shielding, electrical ground planes, antennae, and components thereof.

10. Electrical wire and cable, and components thereof.

11. Generators, alternators, or parts thereof not including prime movers, brakes, clutches or other assemblies associated therewith.

12. Electric motors, or parts thereof.

13. Electrical transformers, electromagnets, electric relays, and components thereof.

14. Superconducting inductors.

15. Connectors for electronic devices.

16. Electro-optic and photovoltaic devices whose primary function is to transform optical signals to electrical signals.

17. Electronic devices whose primary function is to serve as a vacuum tube, a discharge tube, a magnetron, a wave guide, emitter, receiver, or part thereof.

18. Solid state electronic transducer, transistor, diode, or integrated circuit wafers, chips or elements.

19. Electric incandescent, fluorescent or discharge lamps, and components thereof.

20. Electrical switches, switchgear, and components thereof.

21. Electric fuel cells, thermoelectric devices and electric batteries, or components thereof.

22. Electrodes and electrical terminations, interconnects, splices, plugs, sockets, and components thereof.

23. Electrical fuses and fusible links, and components thereof.

24. Human or other animal prostheses, including, but not limited to, bone, tooth or organ replacement or supplement.

25. Components, combinations thereof for incorporation into systems, and systems comprising such components, designed specifically to provide ballistic protection for ground vehicles, artillery, amphibious vehicles, aircraft, spacecraft, space installations, missiles, marine craft, marine installations, and personnel.

26. Components and parts, including but not limited to complete assemblies, that are, or become a direct part of, solid, liquid or gas fueled rocket engines for all military and civilian uses including but not limited to tactical and strategic missile engines and space launch and orbital insertion rocket engines.

27. Products to inhibit corundum formation in aluminum melting furnaces

28. Abrasive grain for supplying the coated abrasives, bonded abrasives and loose abrasives markets.

29. Grinding wheels.

30. Gun systems, including but not limited to both conventional smokeless propellant driven systems and electromagnetic-driven railgun systems, and/or components therefor.

31. Electric resistance-heated igniters for use as fuel ignition devices in all applications except internal combustion, gas turbine and rocket engine use, including but not limited to components for these applications, such as electrically operated resistance heating elements supports and interconnections for such elements and resistance-heated igniter assemblies.

32. Ceramic and ceramic matrix composite powders, microspheres, tubules and platelets for use as ceramic raw materials or as raw materials for ceramic matrix, metal matrix or polymer matrix composites.

33. Fuel injectors and fuel injector components for use in internal combustion engines.

34. Cutting tools and components for cutting tools including but not limited to broaches, twist drills, gun drills and reamers, countersinks, combination drills and countersinks, counterbores, reamers, hobs, gear shapers, milling cutters, single and double point tools, circular form tools, threading tools, blanks tips and inserts.

35. Track and undercarriage components, track systems and ground contact hull structures including but not limited to those for use on bulldozer, scraper, earthmover, backhoe, skidder, armored vehicle,

dragline, conveyor, or mining equipment.

36. Aircraft and marine propellers, rotors and other propulsive devices and shaft seals and components therefor.

37. Inspection tools, including but not limited to gages gage blocks, go no-go gages, joe blocks, inspection systems, coordinate measuring equipment.

38. Sensors, sheathing for sensors, and components thereof.

39. All military component applications.

40. Building product components.

41. Furnace components and hardware including heating elements, kiln rollers, kiln furniture, batts and crucibles.

42. Housewares and components thereof.

43. All engine and power transmission components.

44. Security devices including safes, locks, vaults, and components thereof.

45. Welding electrodes.

46. Paints and Adhesives

SCHEDULE B

TERRITORY 1

The following countries and administrative divisions to the extent of their territorial boundaries as of the Effective Date:

Australia
Brunei
Burma
Cambodia
China
Indonesia
Laos
Malaysia
Mongolia
New Zealand
North Korea
Papua New Guinea
Philippines
Singapore

South Korea
Taiwan
Thailand
Vietnam

EXHIBIT D

SUBLICENSE AGREEMENT

This License Agreement ("Agreement"), dated as of October 25, 1996 (the "Effective Date"), is made between

1. AKN Corporation of 2-2-22, Shiba-koen, Minato-ku, Tokyo 105, Japan ("Commercial JV") and

2. Akebono Brake Industry Co., Ltd. of 19-5, Nihonbashi Koamicho, Chuo-ku, Tokyo 103, Japan ("Licensee").

WHEREAS, Commercial JV is a corporation organized under the laws of Japan pursuant to a Joint Venture Agreement among Licensee, Nihon Cement Company Ltd., and Kanematsu Corporation; and

WHEREAS, Commercial JV has been granted certain rights to certain technology and trademarks by Lanxide Kabushiki Kaisha ("Lanxide K.K."), Lanxide (as defined in Section 1.4) and LTC (as defined in Section 1.6), under license agreements dated as of October 25, 1996 (the "Commercial JV License") with the right to sublicense; and

WHEREAS, Commercial JV wishes to grant Licensee a license to research and develop Products for the manufacture use and sale by Commercial JV and Licensee will accept the license on the terms specified herein.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

I. DEFINITIONS

Terms used with initial capital letters in this Agreement shall have the meaning set forth below.

1.1 "Affiliate(s)" of a Person means a Person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, such Person.

1.2 "Ceramic-Reinforced Aluminum" shall mean materials comprised of a discontinuous ceramic reinforcing phase and a continuous aluminum metal matrix phase.

1.3 "Government Regulations" shall mean any and all terms, conditions and provisions of (a) any law, regulation, order, statute, decree, rule, writ, injunction, determination or award of any court, governmental department, board, agency, or instrumentality, whether foreign or domestic, and (b) any contract for research, development and/or manufacturing between Lanxide and any department or agency of the United States government but only to the extent such contracts reflect provisions required by (a) above to be included therein.

1.4 "Lanxide" shall mean Lanxide Corporation, a corporation organized under the laws of Delaware, and located at 1300 Marrows Road, P.O. Box 6077, Newark, Delaware 19714-6077, U. S. A.

1.5 "Licensed Technology" shall mean Technology now or hereafter owned by Lanxide or LTC which is relevant to Products and to which Commercial JV is granted rights under the Commercial JV License without restriction upon the grant of sublicenses or transfer of such Technology, but excluding Technology, transfer or license of which, or an interest in which, despite Lanxide's, LTC's, Lanxide K. K.'s and/or Commercial JVs best efforts, would be expressly prohibited, either generally or specifically, by Government Regulations or contracts with third parties which are further described but not limited to those listed in Schedule 1.5 hereto.

1.6 "LTC" shall mean Lanxide Technology Company, L.P. a Delaware limited partnership wholly owned and controlled by Lanxide.

1.7 "Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

1.8 "Products" shall have the meaning set forth in Schedule A to this Agreement.

1.9 "Raw Materials" shall mean ceramic powders, ceramic paper, fibers, polymers and/or castable metal matrix composite ingot produced using technology owned by or licensed to Lanxide or its Affiliates.

1.10 "Technology" shall mean technical information, know-how, data, techniques whether patentable or not, patents, patent applications and trade secrets.

1.11 "Territory" shall mean the geographic area of Japan.

1.12 "Trademarks" shall mean the trademark "Lanxide" together with all other trademarks relating to the Products owned now or in the future in the Territory by Lanxide.

II. GRANT OF TECHNOLOGY LICENSE

2.1 License of Licensee. Subject to Government Regulations and the provisions of this Agreement, Commercial JV hereby grants to Licensee a license to use, during the term of this Agreement, the Licensed Technology for the purposes of engaging in the research and development in the Territory of Products. This Agreement does not grant Licensee any right to use the Licensed Technology for the purpose of manufacturing Products or Raw Materials.

2.2 Non-Exclusive Rights. The license of Licensed Technology granted under paragraph 2.1 shall be non-exclusive in the Territory and subject to the use by other authorized users of the Licensed Technology for research and development of Products.

2.3 No Rights Outside Territory. The license granted under paragraph 2.1 shall not include any rights to use the Licensed Technology outside the Territory for any purpose and such license shall not include any right to export from the Territory.

2.4 Sublicense Rights. There shall be no right to sublicense the Licensed Technology.

2.5 Reservation of Rights. No rights are granted under the Licensed Technology except as expressly set forth in this Section 2 and all rights not expressly granted are reserved. All rights granted are subject to the terms of the Commercial JV License.

2.6 Provision of Technology. Subject to applicable Government Regulations, including obtaining any necessary licenses prior to disclosure, Commercial JV shall, (i) at Licensee's request, make available to Licensee from time to time on an as-needed basis and free of cost to Licensee, technical support to transfer technical information, formulae, data, analyses, know-how, and information with respect to the Licensed Technology to the extent reasonably necessary for Licensee to use the Licensed Technology for the research and development of Products.

2.7 Protection of Technology. Licensee shall not use the Licensed Technology for any purpose other than to research and develop Products, all as provided for in this Agreement. Licensee shall take no action in respect of the Licensed Technology which is inconsistent with the terms of the license granted under this Agreement.

2.8 Acknowledgement of Rights. Licensee acknowledges that Licensee's right to use the Licensed Technology arises only out of the sublicense granted under this Agreement.

III. NO TRADEMARK LICENSE

3.1 Trademark License. No license to use the Trademarks is granted

in connection with this sublicense.

3.2 Reservation of Rights. Without limitation, Licensee acknowledges the rights of Lanxide K.K., Lanxide and LTC to use the Trademarks themselves in the Territory or through direct or indirect licensees.

IV. FEE AND ROYALTY

4.1 Fee Payment and Amount. Licensee shall pay a sublicense fee in Japanese Yen in an amount equal to \$2,000,000 in U.S. dollars to the Commercial JV, according to the following schedule, plus the amount of any consumption tax in Japan:

Date	Amount
June 30, 1997	\$1,000,000
December 31, 1997	\$1,000,000

4.2 Royalty Free License. The use of the Licensed Technology for the research and development of Products in the Territory shall be royalty free except as set forth elsewhere in this Section 4.

V. TERM AND TERMINATION

5.1 Effective Date. This Agreement shall come into effect upon the later of (i) unconditional grant of all necessary United States and Japanese government approvals required for its validity and for performance of the obligations contained in this Agreement; or (ii) the Effective Date first written above. This Agreement shall thereafter be perpetual, subject to earlier termination as provided herein.

5.2 Events of Termination. This Agreement may be earlier terminated upon the happening of any of the following events:

(i) Upon written notice by Commercial JV, in the event of termination of the Commercial JV License;

(ii) Upon written notice by Licensee to Commercial JV in the event that Commercial JV is in material breach of any of its obligations under this Agreement as a result of action or inaction by some Person other than Licensee or a Person controlled by Licensee, and Commercial JV fails to remedy that breach within 45 days after receipt of written notice from Licensee, requiring it to remedy that breach;

(iii) Upon written notice by Commercial JV to Licensee in the event that the Licensee is in material breach of any of its obligations under either this Agreement or the joint development agreement among Licensee, Nihon Cement Company Ltd., and Lanxide dated as October 25, 1996, as a result of action or inaction by some Person other than a Person controlled by Commercial JV, and Licensee fails to remedy that breach

within 45 days after receipt of written notice from Commercial JV, requiring it to remedy that breach;

(iv) Upon written notice by Licensee, in the event that Commercial JV ceases to carry on business, becomes or is declared insolvent, files or has filed against it a petition in bankruptcy, has a receiver appointed over its assets, or takes or has taken against it any similar act as a result of debt, as a result of action or inaction by some Person other than Licensee or a Person controlled by Licensee;

(v) Upon written notice by Commercial JV, in the event that Licensee ceases to carry on business, becomes or is declared insolvent, files or has filed against it a petition in bankruptcy, has a receiver appointed over its assets, or takes or has taken against it any similar act as a result of debt, as a result of action or inaction by some Person other than Commercial JV or a Person controlled by Commercial JV;

(vi) Upon one hundred and eighty (180) days' prior written notice by either party, in the event that any governmental agency or court requires substantial modifications to the provisions of this Agreement; or

(vii) Upon written notice by Licensee, in the event that Licensee ceases to use the Licensed Technology.

5.3 Effects of Termination. On termination or expiration of this Agreement, the following provisions shall have effect:

(i) All licenses granted to Licensee shall forthwith cease and Licensee shall cooperate in cancelling any registration of such licenses.

(ii) Licensee shall forthwith cease all use of the Licensed Technology.

(iii) Termination of this Agreement shall not affect the continued enforceability of Section 8 and the continued existence of the license back under paragraph 7.1 of improvements and inventions made up to the date of termination.

(iv) All amounts owing for sublicense fees shall be immediately due and payable.

(v) Licensee shall promptly deliver all Proprietary Information in all forms to Commercial JV or to its authorized representatives.

5.4 Lanxide K. K. License. Upon the happening of any event described in Subparagraph 5.2 (i) or (iv) hereto Lanxide K. K. shall enter into a license agreement directly with Licensee substantially in the form of this Agreement for any remaining term of this Agreement.

VI. GOVERNMENT REGULATIONS, ETC.

6.1 Compliance with Government Regulations. The grant of licenses and the transfer of Licensed Technology under this Agreement shall be conditional on all necessary governmental consents and licenses being obtained and maintained. Commercial JV and Licensee shall use reasonable efforts to obtain all such consents and licenses. Licensee shall comply with all Government Regulations governing export of goods and information from the United States and from the Territory, including without limitation the Export Administration Regulations of the United States (15 C.F.R. 730, et seq.) as such may be amended from time to time, and the terms of any licenses or consents obtained.

VII. PATENTS AND IMPROVEMENTS

7.1 Rights in Inventions. During the term of this Agreement Licensee shall promptly disclose to Commercial JV any inventions or improvements which relate solely to composition and processing of Ceramic-Reinforced Aluminum as material for Products (specifically excluding any inventions or improvements which relate to the design and/or performance of Products themselves as brake parts or components) that are made by Licensee's employees without the participation of any of the employees of Commercial JV, Lanxide K.K., Lanxide, LTC or their Affiliates and Licensee shall obtain the right to grant, and grant, to Commercial JV a full worldwide, royalty-free, perpetual, irrevocable, non-exclusive license to make, use and sell such improvements or inventions in any manner not prevented by the terms of the license to Licensee under this Agreement, with full right by Commercial JV to grant sublicenses of such improvements or inventions which themselves include the right to sublicense.

The provisions of this paragraph 7.1 shall not affect the ownership of inventions or improvements made by employees of Commercial JV, Lanxide K.K., Lanxide, LTC or their Affiliates (with or without the participation of the employees of the Licensee) which inventions and improvements shall be the property of Commercial JV, Lanxide K.K., Lanxide, LTC or their Affiliates, but subject to the license granted under this Agreement.

7.2 Prosecution and Registration. Licensee shall not seek any patent or other intellectual property registration in relation to the Licensed Technology in its own name, other than in relation to improvements and inventions made by Licensee's employees.

7.3 Actions and Claims Against Third Parties. If, during the term of this Agreement, Licensee learns of any infringement, unfair competition or misappropriation ("Infringement") by a third party of any Licensed Technology licensed to Licensee, Licensee shall promptly and fully notify Commercial JV in writing.

7.4 Infringement Claims by Third Parties. If, during the term of this Agreement, any claim or action is threatened or commenced by a third party alleging Infringement of third party rights in the Territory by practice of the Licensed Technology by Licensee, Licensee shall promptly and fully notify Commercial JV in writing.

7.5 Procedure. Commercial JV, Lanxide K.K., Lanxide and LTC individually or collectively, shall have the right, but not the obligation, to take all reasonable steps to prosecute or defend any claim or action relating to the matters set forth in paragraphs 7.3 and 7.4, and may institute, defend, or settle claims, actions or proceedings at their expense. In the event that Commercial JV, Lanxide K.K., Lanxide or LTC choose to prosecute or defend any such claim or action, Commercial JV, Lanxide K.K., Lanxide or LTC, either individually or collectively, shall have the sole right to control all negotiations and litigation and to settle any and all litigation at their own expense. Licensee, at the request of any of Commercial JV, Lanxide K.K., Lanxide or LTC, shall render all reasonable assistance and cooperation. If each of Commercial JV, Lanxide K.K., Lanxide or LTC refuses or fails to take or defend such actions within six (6) months after receipt of the notice described in paragraphs 7.3 and 7.4 (or such shorter period as shall be reasonable in the circumstances), then, upon Licensee's written request and at Licensee's expense (except as provided in paragraph 9.1), Commercial JV, Lanxide K.K., Lanxide and LTC individually or collectively, shall cooperate with Licensee and render all reasonable assistance to Licensee in instituting, defending or settling such actions or claims or proceedings. In such case, Commercial JV, at its own expense, shall have the right to participate in such proceedings through Commercial JV's own counsel. Except as provided in paragraph 9.1, in no event shall Commercial JV, Lanxide K.K., Lanxide or LTC bear any expense of any claims, actions, or proceedings not instituted or defended by Commercial JV, Lanxide K.K., Lanxide or LTC unless their written consent is obtained prior to the institution or defense of such claims, actions, or proceedings. In addition, Commercial JV may request that Licensee modify or terminate any practices which have given rise to a claim of Infringement of third party rights. Any damages obtained from a third party shall be for the account of the party prosecuting the claim, action, or proceeding against such third party in which such damages are recovered.

VIII. CONFIDENTIALITY, RESTRICTED DISCLOSURE AND LIMITED USE COMMITMENTS

8.1 Confidentiality Undertaking. The parties hereto shall (i) treat as confidential all Proprietary Information (as hereinafter defined) which is obtained by a receiving party (Commercial JV or Licensee, as the case may be) directly or indirectly from a disclosing party (Licensee or each of Commercial JV, Lanxide K.K., Lanxide or LTC, as the case may be) in connection with this Agreement, and (ii) not disclose the same to any third party nor use the same, except as provided herein. The provisions of this Section shall apply, without limitation, to all information learned by the parties in the course of implementing this Agreement concerning the business, assets, customers, processes or methods of Commercial JV, Lanxide K.K., Lanxide, LTC, or Licensee, or their Affiliates. The provisions of Section 8 shall remain in effect during the term of this Agreement and for a period of five (5) years after termination or expiration of the Agreement.

8.2 Proprietary Information. As used herein, "Proprietary Information" means any information of Commercial JV, Lanxide K.K., Lanxide, LTC, Licensee, or their Affiliates that might reasonably be considered proprietary, sensitive or private, including but not limited to the following:

(i) Technical information, know-how, data, techniques, discoveries, inventions, ideas, unpublished patent applications, proprietary information, formulae, analyses, laboratory reports, other reports, financial information, studies, findings, or other information relating to Commercial JV, Lanxide K.K., Lanxide, LTC, Licensee, or their Affiliates, or the Licensed Technology or methods or techniques used by Commercial JV, Lanxide K.K., Lanxide, LTC, Licensee, or their Affiliates, whether or not contained in samples, documents, sketches, photographs, drawings, lists, and the like;

(ii) Data and other information employed in connection with the marketing of the products of Commercial JV, Lanxide K.K., Lanxide, LTC or Licensee, or their Affiliates including cost information, business policies and procedures, revenues and markets, distributors and customers, and similar items of information whether or not contained in documents or other tangible materials; and

(iii) Any other information obtained by the parties to this Agreement during the term hereof, that is not generally known to, and not readily ascertainable by proper means by, third parties.

8.3 Precautions. The parties hereto shall take all appropriate steps to prevent unauthorized disclosure of any Proprietary Information by their employees, which steps include the execution or acceptance by all such persons of written agreements containing obligations of confidentiality, restricted disclosure and limited use relative thereto consistent with this Section 8 prior to disclosure of Proprietary Information to them. The parties shall not permit access to Proprietary Information by their employees, except on a need-to-know basis. The parties shall further take all appropriate steps to protect the Proprietary Information against espionage, misuse, loss or theft.

8.4 Exclusions. The provisions of Section 8 shall not apply to any Proprietary Information that (i) has become generally available to the public through no fault of the receiving party (Commercial JV or Licensee, as the case may be) or its employees, (ii) the receiving party can prove by clear and convincing documentary evidence was in its possession before disclosure hereunder and did not come directly or indirectly from the disclosing party (either Licensee or any of Commercial JV, Lanxide K.K., Lanxide or LTC, as the case may be), or their Affiliates, (iii) becomes known to the receiving party through lawful disclosure from a third party that is not subject to a confidentiality agreement with the disclosing party (either Licensee or any of Commercial JV, Lanxide K.K., or Lanxide or LTC, as the case may be) or their Affiliates, or (iv) the receiving party

can prove by clear and convincing documentary evidence has been or is developed by the receiving party independent of any such Proprietary Information disclosed by the disclosing party.

8.5 Permitted Disclosure. Proprietary Information may not be disclosed by the receiving party without the prior written consent of Commercial JV or Licensee, except that:

(i) Commercial JV may disclose Licensee's Proprietary Information to the extent of the inventions and improvements described in paragraph 7.1 hereunder to its Affiliates or its other licensees or sublicensees of the Licensed Technology, provided that prior to disclosure of the Proprietary Information, such Persons execute written agreements containing obligations of confidentiality consistent with this Section 8.

(ii) In the event that a third party wishes to evaluate Licensee's proprietary technology to the extent of the inventions and improvements described in paragraph 7.1 hereunder in connection with a business transaction with Commercial JV or its Affiliates, Commercial JV may disclose as much of Licensee's Proprietary Information to that third party as is necessary to conduct such evaluation, provided that prior to disclosure such third party executes a written agreement prohibiting use of the Proprietary Information for any reason other than evaluation of this technology and containing obligations of confidentiality consistent with this Section 8.

8.6 Government Regulations. The provisions of this Section 8 shall not be deemed to obligate either party to do or refrain from doing any act, the doing or not doing of which would cause or reasonably be expected to cause either party to fail to fulfill or comply with any obligation or requirement imposed by any Government Regulation, provided that, any disclosures of Proprietary Information made to fulfill or comply with any such Government Regulation shall be made (i) only after notice to the other party, and (ii) under conditions invoking all confidentiality protections as are available by law or regulation.

IX. MISCELLANEOUS

9.1 No Warranties. Commercial JV makes no warranty or representation with respect to the Licensed Technology or other assistance furnished under this Agreement, nor is Commercial JV in any way responsible for the accuracy, utility or completeness of any Licensed Technology or other assistance furnished under this Agreement. COMMERCIAL JV HEREBY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES AND REPRESENTATIONS, EXPRESS OR IMPLIED, ARISING BY LAW OR CUSTOM, WITH RESPECT TO THE LICENSED TECHNOLOGY, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. COMMERCIAL JV DOES NOT IN ANY WAY PROMISE THAT THE LICENSED TECHNOLOGY WILL PRODUCE ANY PARTICULAR RESULTS, PRODUCTS OR PROFITABILITY.

9.2 Force Majeure. Neither party shall be liable for failure to

perform its obligations hereunder for so long as that failure may be the result of an event beyond its reasonable control (a "force majeure" event), provided that such party uses all reasonable efforts to comply with the terms of this Agreement to the extent that it is able to do so. However, if such failure due to force majeure by either party to perform any part of this Agreement should continue for six (6) months, the other party shall have the right to terminate this Agreement.

9.3 Waivers. The failure at any time of either party to require performance by the other party of any obligation required by this Agreement shall in no way affect such party's right to require such performance at any time thereafter, nor shall the waiver by either party of a breach of any provision of this Agreement by the other party constitute a waiver of any other breach of the same or any other provision or constitute a waiver of the obligation itself.

9.4 Amendment. This Agreement may be amended only by an instrument in writing duly executed by the duly authorized representatives of the parties hereto.

9.5 Assignability. This Agreement may not, without prior written agreement by Lanxide, be assigned. Any permitted assignment shall not relieve Licensee from any obligations hereunder incurred prior to such assignment.

9.6 Notices. In any case where any notice or other communication is required or permitted to be given hereunder (including, without limitation, any change in the information set forth in this paragraph 9.7) such notice or communication (i) shall be in writing and in the English language, (ii) shall be sent to the parties set out below, and (iii) shall be (A) personally delivered, (B) sent by postage prepaid registered mail, (C) transmitted by telecopy receipt of which is confirmed, or (D) sent by courier service requiring signature on receipt, as, follows:

If to Commercial JV, to:

AKN Corporation
2-2-22, Shiba-koen
Minato-ku, Tokyo 105, Japan
FAX: 03-3432-3045
Attention: President

If to Licensee, to:

Akebono Brake Industry Co., Ltd.
19-5, Nihonbashi Koamicho
Chuo-ku
Tokyo 103, Japan
FAX: 03-3668-7260
Attention: Manager, Corporate Planning Dept.

All such notices or other communications shall be deemed to have been given or received (i) upon receipt if personally delivered, or if by courier, (ii) on the third business day following posting if by postage prepaid registered mail, or (iii) when sent with confirmed answer back if sent by telecopy.

9.7 Choice of Law. This Agreement shall be construed and enforced in accordance with and governed by the internal laws of Japan.

9.8 Arbitration. Any and all disputes, controversies or differences arising from or in relation to or in connection with this Agreement or a transaction conducted under this Agreement shall be settled by mutual consultation between the parties in good faith as promptly as possible, but failing an amicable settlement, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of The International Chamber of Commerce, by which each party agrees to be bound. The arbitration shall be held in Tokyo, Japan. The award of the arbitrator shall be final and binding upon the parties.

9.9 Interpretation. The headings of the sections and paragraphs in this Agreement are provided for convenience of reference only and shall not be deemed to constitute a part hereof. The Agreement is executed in the English language.

9.10 Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter of this Agreement and supersedes all prior agreements and understandings, oral and written, if any, between the parties hereto with respect to the subject matter of this Agreement.

9.11 Severability. Should any provision of this Agreement be deemed in contradiction with the laws of any jurisdiction in which it is to be performed or unenforceable for any reason, such provision shall be deemed null and void, but, except as provided in paragraph 5.2, this Agreement shall remain in force in all other respects.

9.12 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the day and year first above written

AKN CORPORATION

AKEBONO BRAKE INDUSTRY CO., LTD.

By: /s/ Shunro Ueda

By: /s/ Hisataka Nobumoto

Name: Shunro Ueda

Name: Hisataka Nobumoto

Title: President

Title: President & CEO

ACCEPTED AND AGREED TO BY:

LANXIDE K. K.

By: /s/ Marc S. Newkirk

Name: Marc S. Newkirk

Title: President

SCHEDULE 1.5

Technology which is, or may in the future be

(i) provided to Lanxide or its Affiliates under Non Disclosure Agreements and is identified as the proprietary information of the disclosing party.

(ii) designated as classified by a government agency.

(iii) controlled by the export regulations of the United States.

(iv) provided under license to Lanxide or its Affiliates with limits on its use or transfer.

SCHEDULE A

PRODUCTS

"Products" shall mean

Brake rotors, brake drums, brake shoes, brake pistons, brake caliper bodies, brake pad backing plates, brake caliper anchors, steering knuckles, drum brake back plates, brake torque anchor support plates, disc brake back plates, wheel hubs, brake dust shields, brake modulator housings, brake pressure control valve housings, wheel brake cylinder housings, and Brake master cylinder housings, all made only from Ceramic-Reinforced Aluminum for use only on passenger cars, trucks, buses, trailers, motor-cycles, railroad locomotives, railroad rolling stock and industrial equipment.

All of the above definitions shall exclude the following:

1. Sporting Goods

2. Filters for use in materials processing plants which come in direct contact with some portion of materials flow through the process plant.

3. Aerospace components including but not limited to leading edges, nosecones, radomes, control surfaces, struts, stiffeners, skins and air frames for spacecraft, aircraft, and missiles.

4. Heat exchangers including but not limited to recuperators, boilers, waste heat recovery, superheaters, pyrolysis units, reformers, air preheaters and chemical processes, including radiant burner tubes and parts thereof.

5. Gas turbine engine parts including but not limited to land, sea and air, moving and stationary gas turbine engines, and aircraft scramjet and ramjet engines and components thereof.

6. Electrical/electronic substrates, heat sinks or packages, including but not limited to components thereof for active or passive electronic devices, and assemblies thereof.

7. Electronic devices whose primary function is to serve as a capacitor, resistor, inductor, or part thereof, or arrays of same, not including superconductive inductors.

8. Electro-optic and photovoltaic devices whose primary function is to transform electrical signals to optical signals.

9. RFI shielding, electrical ground planes, antennae, and components thereof.

10. Electrical wire and cable, and components thereof.

11. Generators, alternators, or parts thereof not including prime movers, brakes, clutches or other assemblies associated therewith.

12. Electric motors, or parts thereof.

13. Electrical transformers, electromagnets, electric relays, and components thereof.

14. Superconducting inductors.

15. Connectors for electronic devices.

16. Electro-optic and photovoltaic devices whose primary function is to transform optical signals to electrical signals.

17. Electronic devices whose primary function is to serve as a vacuum tube, a discharge tube, a magnetron, a wave guide, emitter, receiver, or part thereof.

18. Solid state electronic transducer, transistor, diode, or integrated circuit wafers, chips or elements.

19. Electric incandescent, fluorescent or discharge lamps, and components thereof.

20. Electrical switches, switchgear, and components thereof.

21. Electric fuel cells, thermoelectric devices and electric batteries, or components thereof.

22. Electrodes and electrical terminations, interconnects, splices, plugs, sockets, and components thereof.

23. Electrical fuses and fusible links, and components thereof.

24. Human or other animal prostheses, including, but not limited to, bone, tooth or organ replacement or supplement.

25. Components, combinations thereof for incorporation into systems, and systems comprising such components, designed specifically to provide ballistic protection for ground vehicles, artillery, amphibious vehicles, aircraft, spacecraft, space installations, missiles, marine craft, marine installations, and personnel.

26. Components and parts, including but not limited to complete assemblies, that are, or become a direct part of, solid, liquid or gas fueled rocket engines for all military and civilian uses including but not limited to tactical and strategic missile engines and space launch and orbital insertion rocket engines.

27. Products to inhibit corundum formation in aluminum melting furnaces

28. Abrasive grain for supplying the coated abrasives, bonded abrasives and loose abrasives markets.

29. Grinding wheels.

30. Gun systems, including but not limited to both conventional smokeless propellant driven systems and electromagnetic-driven railgun systems, and/or components therefor.

31. Electric resistance-heated igniters for use as fuel ignition devices in all applications except internal combustion, gas turbine and rocket engine use, including but not limited to components for these applications, such as electrically operated resistance heating elements supports and interconnections for such elements and resistance-heated igniter assemblies.

32. Ceramic and ceramic matrix composite powders, microspheres, tubules and platelets for use as ceramic raw materials or as raw materials for ceramic matrix, metal matrix or polymer matrix composites.

33. Fuel injectors and fuel injector components for use in internal combustion engines.

34. Cutting tools and components for cutting tools including but

not limited to broaches, twist drills, gun drills and reamers, countersinks, combination drills and countersinks, counterbores, reamers, hobs, gear shapers, milling cutters, single and double point tools, circular form tools, threading tools, blanks tips and inserts.

35. Track and undercarriage components, track systems and ground contact hull structures including but not limited to those for use on bulldozer, scraper, earthmover, backhoe, skidder, armored vehicle, dragline, conveyor, or mining equipment.

36. Aircraft and marine propellers, rotors and other propulsive devices and shaft seals and components therefor.

37. Inspection tools, including but not limited to gages gage blocks, go no-go gages, joe blocks, inspection systems, coordinate measuring equipment.

38. Sensors, sheathing for sensors, and components thereof.

39. All military component applications.

40. Building product components.

41. Furnace components and hardware including heating elements, kiln rollers, kiln furniture, batts and crucibles.

42. Housewares and components thereof.

43. All engine and power transmission components.

44. Security devices including safes, locks, vaults, and components thereof.

45. Welding electrodes.

46. Paints and Adhesives

EXHIBIT E

SUBLICENSE AGREEMENT

This License Agreement ("Agreement"), dated as of _____, 1996 (the "Effective Date"), is made between:

1. AKN Corporation of 2-2-22, Shiba-koen, Minato-ku, Tokyo 105, Japan ("Commercial JV") and

2. Nihon Cement Co., Ltd. of Ohtemachi Building, 6-1, Ohtemachi 1-chome, Chiyoda-ku, Tokyo 100, Japan ("Licensee").

WHEREAS, Commercial JV is a corporation organized under the laws of Japan pursuant to a Joint Venture Agreement among Licensee, Akebono Brake Industry Company, Ltd., and Kanematsu Corporation; and

WHEREAS, Commercial JV has been granted certain rights to certain technology and trademarks by Lanxide Kabushiki Kaisha ("Lanxide K.K."), Lanxide (as defined in Section 1.4) and LTC (as defined in Section 1.6), under license agreements dated as of _____, 1996 (the "Commercial JV License") with the right to sublicense; and

WHEREAS, Commercial JV wishes to grant Licensee a license to research and develop Products for the manufacture, use and sale by Commercial JV and Licensee will accept the license on the terms specified herein.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Terms used with initial capital letters in this Agreement shall have the meaning set forth below.

1.1 "Affiliate(s)" of a Person means a Person that directly or indirectly through one or more intermediaries' controls, is controlled by, or is under common control with, such Person.

1.2 "Ceramic-Reinforced Aluminum" shall mean materials comprised of a discontinuous ceramic reinforcing phase and a continuous aluminum metal matrix phase.

1.3 "Governmental Regulations" shall mean any and all terms, conditions and provisions of (a) any law, regulation, order, statute, decree, rule, writ, injunction, determination or award of any court, governmental department, board, agency, or instrumentality, whether foreign or domestic, and (b) any contract for research, development and/or manufacturing between Lanxide and any department or agency of the United States government but only to the extent such contract reflect provisions required by (a) above to be included therein.

1.4 "Lanxide" shall mean Lanxide Corporation, a corporation organized under the laws of Delaware, and located at

1300 Marrows Road, P.O. Box 6077, Newark, Delaware 19714-6077,
U.S.A.

1.5 "Licensed Technology" shall mean Technology now or hereafter owned by Lanxide or LTC which is relevant to Products and to which Commercial JV is granted rights under the Commercial JV License without restriction upon the grant of sublicenses or transfer of such Technology, but excluding Technology, transfer or license of which, or an interest in which, despite Lanxide's, LTC's, Lanxide K.K.'s and/or Commercial JV's best efforts, would be expressly prohibited, either generally or specifically, by Government Regulations or contracts with third parties which are further described but not limited to those listed in Schedule 1.5 hereto.

1.6 "LTC" shall mean Lanxide Technology Company, L.P., a Delaware limited partnership wholly owned and controlled by Lanxide.

1.7 "Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

1.8 "Products" shall have the meaning set forth in Schedule A to this Agreement.

1.9 "Raw Materials" shall mean ceramic powders, ceramic paper, fibers, polymers and/or castable metal matrix composite ingot produced using technology owned by or licensed to Lanxide or its Affiliates.

1.10 "Technology" shall mean technical information, know-how, data, techniques whether patentable or not, patents, patent applications and trade secrets.

1.11 "Territory" shall mean the geographic area of Japan.

1.12 "Trademarks" shall mean the trademark "Lanxide" together with all other trademarks relating to the Products owned now or in the future in the Territory by Lanxide.

ARTICLE II

GRANT OF TECHNOLOGY LICENSE

2.1 License of Licensee. Subject to Government Regulations and the provisions of this Agreement, Commercial JV hereby grants to Licensee a license to use, during the term of

this Agreement, the Licensed Technology for the purposes of engaging in the research and development in the Territory of Products. This Agreement does not grant Licensee any right to use the Licensed Technology for the purpose of manufacturing Products or Raw Materials.

2.2 Non-Exclusive Rights. The license of Licensed Technology granted under paragraph 2.1 shall be non-exclusive in the Territory and subject to the use by other authorized users of the Licensed Technology for research and development of Products.

2.3 No Rights Outside Territory. The license granted under paragraph 2.1 shall not include any rights to use the Licensed Technology outside the Territory for any purpose and such license shall not include any right to export from the Territory.

2.4 Sublicense Rights. There shall be no right to sublicense the Licensed Technology.

2.5 Reservation of Rights. No rights are granted under the Licensed Technology except as expressly set forth in this Section 2 and all rights not expressly granted are reserved. All rights granted are subject to the terms of the Commercial JV License.

2.6 Provision of Technology. Subject to applicable Government Regulations, including obtaining any necessary licenses prior to disclosure, Commercial JV shall, (i) at Licensee's request, make available to Licensee from time to time on an as-needed basis and free of cost to Licensee, technical support to transfer technical information, formulae, data, analyses, know-how, and information with respect to the Licensed Technology to the extent reasonably necessary for Licensee to use the Licensed Technology for the research and development of Products.

2.7 Protection of Technology. Licensee shall not use the Licensed Technology for any purpose other than to research and develop Products, all as provided for in this Agreement. Licensee shall take no action in respect of the Licensed Technology which is inconsistent with the terms of the license granted under this Agreement.

2.8 Acknowledgement of Rights. Licensee acknowledges that Licensee's right to use the Licensed Technology arises only out of the sublicense granted under this Agreement.

ARTICLE III

NO TRADEMARK LICENSE

3.1 Trademark License. No license to use the Trademarks is granted in connection with this sublicense.

3.2 Reservation of Rights. Without limitation, Licensee acknowledges the rights of Lanxide K.K., Lanxide and LTC to use the Trademarks themselves in the Territory or through direct or indirect licensees.

ARTICLE IV

FEE AND ROYALTY

4.1 Fee Payment and Amount. Licensee shall pay a sublicense fee in Japanese Yen in an amount equal to \$2,000,000 in U.S. dollars to the Commercial JV, according to the following schedule, plus the amount of any consumption tax in Japan:

Date	Amount
----	-----
November 15, 1996	\$2,000,000

4.2 Royalty Free License. The use of the Licensed Technology for the research and development of Products in the Territory shall be royalty free except as set forth elsewhere in this Section 4.

ARTICLE V

TERM AND TERMINATION

5.1 Effective Date. This Agreement shall come into effect upon the later of (i) unconditional grant of all necessary United States and Japanese government approvals required for its validity and for performance of the obligations contained in this Agreement; or (ii) the Effective Date first written above. This Agreement shall thereafter be perpetual, subject to earlier termination as provided herein.

5.2 Events of Termination. This Agreement may be earlier terminated upon the happening of any of the following events:

- (i) Upon written notice by Commercial JV, in the event of termination of the Commercial JV License;
- (ii) Upon written notice by Licensee to Commercial JV in the event that Commercial JV is in material breach of any of its obligations under this Agreement as a result of action or inaction by some Person other than Licensee or a Person controlled by Licensee, and Commercial JV fails to remedy that breach within 45 days after

receipt of written notice from Licensee, requiring it to remedy that breach;

- (iii) Upon written notice by Commercial JV to Licensee in the event that the Licensee is in material breach of any of its obligations under either this Agreement or the joint development agreement among Licensee, Akebono Brake Industry Co., Ltd., and Lanxide dated as October 25, 1996, as a result of action or inaction by some Person other than a Person controlled by Commercial JV, and Licensee fails to remedy that breach within 45 days after receipt of written notice from Commercial JV, requiring it to remedy that breach;
- (iv) Upon written notice by Licensee, in the event that Commercial JV ceases to carry on business, becomes or is declared insolvent, files or has filed against it a petition in bankruptcy, has a receiver appointed over its assets, or takes or has taken against it any similar act as a result of debt, as a result of action or inaction by some Person other than Licensee or a Person controlled by Licensee;
- (v) Upon written notice by Commercial JV, in the event that Licensee ceases to carry on business, becomes or is declared insolvent, files or has filed against it a petition in bankruptcy, has a receiver appointed over its assets, or takes or has taken against it any similar act as a result of debt, as a result of action or inaction by some Person other than Commercial JV or a Person controlled by Commercial JV;
- (vi) Upon one hundred and eighty (180) days prior written notice by either party, in the event that any governmental agency or court requires substantial modifications to the provisions of this Agreement; or
- (vii) Upon written notice by Licensee, in the event that Licensee ceases to use the Licensed Technology.

5.3 Effects of Termination. On termination or expiration of this Agreement, the following provisions shall have effect:

- (i) All licenses granted to Licensee shall forthwith cease and Licensee shall cooperate in cancelling any registration of such licenses.
- (ii) Licensee shall forthwith cease all use of the Licensed Technology.

- (iii) Termination of this Agreement shall not affect the continued enforceability of Section 8 and the continued existence of the license back under paragraph 7.1 of improvements and inventions made up to the date of termination.
- (iv) All amounts owing for sublicense fees shall be immediately due and payable.
- (v) Licensee shall promptly deliver all Proprietary Information in all forms to Commercial JV or to its authorized representatives.

5.4 Lanxide K.K. License. Upon the happening of any event described in subparagraphs 5.2 (i) or (iv) hereto Lanxide K.K. shall enter into a license agreement directly with Licensee substantially in the form of this Agreement for any remaining term of this Agreement.

ARTICLE VI

GOVERNMENT REGULATIONS, ETC.

6.1 Compliance with Government Regulations. The grant of licenses and the transfer of Licensed Technology under this Agreement shall be conditional on all necessary governmental consents and licenses being obtained and maintained. Commercial JV and Licensee shall use reasonable efforts to obtain all such consents and licenses. Licensee shall comply with all Governmental Regulations governing export of goods and information from the United States and from the Territory, including without limitation the Export Administration Regulations of the United States (15 C.F.R. 730, et seq.) as such may be amended from time to time, and the terms of any licenses or consents obtained.

ARTICLE VII

PATENTS AND IMPROVEMENTS

7.1 Rights in Inventions. During the term of this Agreement, Licensee shall promptly disclose to Commercial JV any inventions or improvements which relate solely to composition and processing of Ceramic-Reinforced Aluminum as material for Products (specifically excluding any inventions or improvements which relate to the design and/or performance of Products themselves as brake parts or components) that are made by Licensee's employees without the participation of any of the employees of Commercial JV, Lanxide, K.K., Lanxide, LTC or their Affiliates and Licensee shall obtain the right to grant, and

grant, to Commercial JV a full worldwide, royalty-free, perpetual, irrevocable, non-exclusive license to make, use and sell such improvements or inventions in any manner not prevented by the terms of the license to Licensee under this Agreement, with full right by Commercial JV to grant sublicenses of such improvements or inventions which themselves include the right to sublicense.

The provisions of this paragraph 7.1 shall not affect the ownership of inventions or improvements made by employees of Commercial JV, Lanxide K.K., Lanxide, LTC or their Affiliates (with or without the participation of the employees of the Licensee) which inventions and improvements shall be the property of Commercial JV, Lanxide K.K., Lanxide, LTC or their Affiliates, but subject to the license granted under this Agreement.

7.2 Prosecution and Registration. Licensee shall not seek any patent or other intellectual property registration in relation to the Licensed Technology in its own name, other than in relation to improvements and inventions made by Licensee's employees.

7.3 Actions and Claims Against Third Parties. If, during the term of this Agreement, Licensee learns of any infringement, unfair competition or misappropriation ("Infringement") by a third party of any Licensed Technology licensed to Licensee, Licensee shall promptly and fully notify Commercial JV in writing.

7.4 Infringement Claims by Third Parties. If, during the term of this Agreement, any claim or action is threatened or commenced by a third party alleging Infringement of third party rights in the Territory by practice of the Licensed Technology by Licensee, Licensee shall promptly and fully notify Commercial JV in writing.

7.5 Procedure. Commercial JV, Lanxide K.K., Lanxide and LTC individually or collectively, shall have the right, but not the obligation, to take all reasonable steps to prosecute or defend any claim or action relating to the matters set forth in paragraphs 7.3 and 7.4 and may institute, defend or settle claims, actions or proceedings at their expense. In the event that Commercial JV, Lanxide K.K., Lanxide or LTC choose to prosecute or defend any such claim or action, Commercial JV, Lanxide K.K., Lanxide or LTC, either individually or collectively, shall have the sole right to control all negotiations and litigation and to settle any and all litigation at their own expense. Licensee, at the request of any of Commercial JV, Lanxide K.K., Lanxide or LTC, shall render all reasonable assistance and cooperation. If each of Commercial JV, Lanxide K.K., Lanxide or LTC refuses or fails to take or defend

such actions within six (6) months after receipt of the notice described in paragraphs 7.3 and 7.4 (or such shorter period as shall be reasonable in the circumstances), then, upon Licensee's written request and at Licensee's expense (except as provided in paragraph 9.1), Commercial JV, Lanxide K.K., Lanxide and LTC individually or collectively, shall cooperate with Licensee and render all reasonable assistance to Licensee in instituting, defending or settling such actions or claims or proceedings. In such case, Commercial JV, at its own expense, shall have the right to participate in such proceedings through Commercial JV's own counsel. Except as provided in paragraph 9.1, in no event shall Commercial JV, Lanxide K.K., Lanxide or LTC bear any expense of any claims, actions or proceedings not instituted or defended by Commercial JV, Lanxide K.K., Lanxide or LTC unless their written consent is obtained prior to the institution or defense of such claims, actions or proceedings. In addition, Commercial JV may request that Licensee modify or terminate any practices which have given rise to a claim of Infringement of third party rights. Any damages obtained from a third party shall be for the account of the party prosecuting the claim, action or proceeding against such third party in which such damages are recovered.

ARTICLE VIII

CONFIDENTIALITY, RESTRICTED DISCLOSURE AND LIMITED USE COMMITMENTS.

8.1 Confidentiality Undertaking. The parties hereto shall (i) treat as confidential all Proprietary Information (as hereinafter defined) which is obtained by a receiving party (Commercial JV or Licensee, as the case may be) directly or indirectly from a disclosing party (Licensee or each of Commercial JV, Lanxide K.K., Lanxide or LTC, as the case may be) in connection with this Agreement, and (ii) not disclose the same to any third party nor use the same, except as provided herein. The provisions of this Section shall apply, without limitation, to all information learned by the parties in the course of implementing this Agreement concerning the business, assets, customers, processes or methods of Commercial JV, Lanxide K.K., Lanxide, LTC, or Licensee, or their Affiliates. The provisions of Section 8 shall remain in effect during the term of this Agreement and for a period of five (5) years after termination or expiration of the Agreement.

8.2 Proprietary Information. As used herein, "Proprietary Information" means any information of Commercial JV, Lanxide K.K. Lanxide, LTC, Licensee, or their Affiliates that might reasonably be considered proprietary, sensitive or private, including but not limited to the following:

- (i) Technical information, know-how, data, techniques,

discoveries, inventions, ideas, unpublished patent applications, proprietary information, formulae, analyses, laboratory reports, other reports, financial information, studies, findings or other information relating to Commercial JV, Lanxide K.K., Lanxide, LTC, Licensee, or their Affiliates, or the Licensed Technology or methods or techniques used by Commercial JV, Lanxide K.K., Lanxide, LTC, Licensee or their Affiliates, whether or not contained in samples, documents, sketches, photographs, drawings, lists and the like;

- (ii) Data and other information employed in connection with the marketing of the products of Commercial JV, Lanxide K.K., Lanxide, LTC or Licensee, or their Affiliates including cost information, business policies and procedures, revenues and markets, distributors and customers, and similar items of information whether or not contained in documents or other tangible materials; and
- (iii) Any other information obtained by the parties to this Agreement during the term hereof, that is not generally known to, and not readily ascertainable by proper means by, third parties.

8.3 Precautions. The parties hereto shall take all appropriate steps to prevent unauthorized disclosure of any Proprietary Information by their employees, which steps include the execution or acceptance by all such persons of written agreements containing obligations of confidentiality, restricted disclosure and limited use relative thereto consistent with this Section 8 prior to disclosure of Proprietary Information to them. The parties shall not permit access to Proprietary Information by their employees, except on a need-to-know basis. The parties shall further take all appropriate steps to protect the Proprietary Information against espionage, misuse, loss or theft.

8.4 Exclusions. The provisions of Section 8 shall not apply to any Proprietary Information that (i) has become generally available to the public through no fault of the receiving party (Commercial JV or Licensee, as the case may be) or its employees, (ii) the receiving party can prove by clear and convincing documentary evidence that it was in its possession before disclosure hereunder and did not come directly or indirectly from the disclosing party (either Licensee or any of Commercial JV, Lanxide K.K., Lanxide or LTC, as the case may be), or their Affiliates, (iii) becomes known to the receiving party through lawful disclosure from a third party that is not subject to a confidentiality agreement with the disclosing party (either Licensee or any of Commercial JV, Lanxide K.K., or Lanxide or

LTC, as the case may be) or their Affiliates, or (iv) the receiving party can prove by clear and convincing documentary evidence has been or is developed by the receiving party independent of any such Proprietary Information disclosed by the disclosing party.

8.5 Permitted Disclosure. Proprietary Information may not be disclosed by the receiving party without the prior written consent of Commercial JV or Licensee, except that:

- (i) Commercial JV may disclose Licensee's Proprietary Information to the extent of the inventions and improvements described in paragraph 7.1 hereunder to its Affiliates or its other licensees or sublicensees of the Licensed Technology, provided that prior to disclosure of the Proprietary Information, such Persons execute written agreements containing obligations of confidentiality consistent with this Section 8.
- (ii) In the event that a third party wishes to evaluate Licensee's proprietary technology to the extent of the inventions and improvements described in paragraph 7.1 hereunder in connection with a business transaction with Commercial JV or its Affiliates, Commercial JV may disclose as much of Licensee's Proprietary Information to that third party as is necessary to conduct such evaluation, provided that prior to disclosure such third party executes a written agreement prohibiting use of the Proprietary Information for any reason other than evaluation of this technology and containing obligations of confidentiality consistent with this Section 8.

8.6 Government Regulations. The provisions of this Section 8 shall not be deemed to obligate either party to do or refrain from doing any act, the doing or not doing of which would cause or reasonably be expected to cause either party to fail to fulfill or comply with any obligation or requirement imposed by any Government Regulation, provided that, any disclosures of Proprietary Information made to fulfill or comply with any such Governmental Regulation shall be made (i) only after notice to the other party, and (ii) under conditions invoking all confidentiality protections as are available by law or regulation.

ARTICLE IX

MISCELLANEOUS

9.1 No Warranties. Commercial JV makes no warranty or representation with respect to the Licensed Technology or other

assistance furnished under this Agreement, nor is Commercial JV in any way responsible for the accuracy, utility or completeness of any Licensed Technology or other assistance furnished under this Agreement. COMMERCIAL JV HEREBY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES AND REPRESENTATIONS, EXPRESS OR IMPLIED, ARISING BY LAW OR CUSTOM, WITH RESPECT TO THE LICENSED TECHNOLOGY, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. COMMERCIAL JV DOES NOT IN ANY WAY PROMISE THAT THE LICENSED TECHNOLOGY WILL PRODUCE ANY PARTICULAR RESULTS, PRODUCTS OR PROFITABILITY.

9.2 Force Majeure. Neither party shall be liable for failure to perform its obligations hereunder for so long as that failure may be the result of an event beyond its reasonable control (a "force majeure" event), provided that such party uses all reasonable efforts to comply with the terms of this Agreement to the extent that it is able to do so. However, if such failure due to force majeure by either party to perform any part of this Agreement should continue for six (6) months, the other party shall have the right to terminate this Agreement.

9.3 Waivers. The failure at any time of either party to require performance by the other party of any obligation required by this Agreement shall in no way affect such party's right to require such performance at any time thereafter, nor shall the waiver by either party of a breach of any provision of this Agreement by the other party constitute a waiver of any other breach of the same or any other provision or constitute a waiver of the obligation itself.

9.4 Amendment. This Agreement may be amended only by an instrument in writing duly executed by the duly authorized representatives of the parties hereto.

9.5 Assignability. This Agreement may not, without prior written agreement by Lanxide, be assigned. Any permitted assignment shall not relieve Licensee from any obligations hereunder incurred prior to such assignment.

9.6 Notices. In any case where any notice or other communication is required or permitted to be given hereunder (including, without limitation, any change in the information set forth in this paragraph 9.7) such notice or communication (i) shall be in writing and in the English language), (ii) shall be sent to the parties set out below, and (iii) shall be (A) personally delivered, (B) sent by postage prepaid registered mail, (C) transmitted by telecopy receipt of which is confirmed, or (D) sent by courier service requiring signature on receipt, as follows:

If to Commercial JV, to:

AKN Corporation
2-2-22, Shiba-koen
Minato-ku, Tokyo 105, Japan
FAX: 03-3432-3045

Attention: President

If to Licensee, to:

Nihon Cement Co., Ltd.
Ohtemachi Building
6-1, Ohtemachi 1-chome
Chiyoda-ku, Tokyo 100
Japan
FAX: 03-3211-1624

Attention: Manager, Corporate Planning Dept.

All such notices or other communications shall be deemed to have been given or received (i) upon receipt if personally delivered, or if by courier, (ii) on the third business day following posting if by postage prepaid registered mail, or (iii) when sent with confirmed answer back if sent by telecopy.

9.7 Choice of Law. This Agreement shall be construed and enforced in accordance with and governed by the internal laws of Japan.

9.8 Arbitration. Any and all disputes, controversies or differences arising from or in relation to or in connection with this Agreement or a transaction conducted under this Agreement shall be settled by mutual consultation between the parties in good faith as promptly as possible, but failing an amicable settlement, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of The International Chamber of Commerce, by which each party agrees to be bound. The arbitration shall be held in Tokyo, Japan. The award of the arbitrator shall be final and binding upon the parties.

9.9 Interpretation. The headings of the sections and paragraphs in this Agreement are provided for convenience of reference only and shall not be deemed to constitute a part hereof. The Agreement is executed in the English language.

9.10 Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter of this Agreement and supersedes all prior agreements and understandings, oral and written, if any, between the parties hereto with respect to the subject matter of this

Agreement.

9.11 Severability. Should any provision of this Agreement be deemed in contradiction with the laws of any jurisdiction in which it is to be performed or unenforceable for any reason, such provision shall be deemed null and void, but, except as provided in paragraph 5.2, this Agreement shall remain in force in all other respects.

9.12 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the day and year first above written.

AKN CORPORATION

NIHON CEMENT CO., LTD.

By: _____

By:

NAME: _____

NAME: _____

TITLE: _____

TITLE:

ACCEPTED AND AGREED TO BY:

LANXIDE K.K.

BY: _____

NAME: _____

TITLE: _____

SCHEDULE 1.5

Technology which is, or may in the future be

- (i) provided to Lanxide or its Affiliates under Non Disclosure Agreements and is identified as the proprietary information of the disclosing party.
- (ii) designated as classified by a government agency.
- (iii) controlled by the export regulations of the United States.

- (iv) provided under license to Lanxide or its Affiliates with limits on its use or transfer.

SCHEDULE A

PRODUCTS

"Products" shall mean

Brake rotors, brake drums, brake shoes, brake pistons, brake caliper bodies, brake pad backing plates, brake caliper anchors, steering knuckles, drum brake back plates, brake torque anchor support plates, disc brake back plates, wheel hubs, brake dust shields, brake modulator housings, brake pressure control valve housings, wheel brake cylinder housings, and brake master cylinder housings, all made only from Ceramic-Reinforced Aluminum for use only on passenger cars, trucks, buses, trailers, motorcycles, railroad locomotives, railroad rolling stock and industrial equipment.

All of the above definitions shall exclude the following:

1. Sporting Goods
2. Filters for use in materials processing plants which come in direct contact with some portion of materials flow through the process plant.
3. Aerospace components including but not limited to leading edges, nosecones, radomes, control surfaces, struts, stiffeners, skins and air frames for spacecraft, aircraft and missiles.
4. Heat exchangers including but not limited to recuperators, boilers, waste heat recovery, superheaters, pyrolysis units, reformers, air preheaters and chemical processes, including radiant burner tubes and parts thereof.
5. Gas turbine engine parts including but not limited to land, sea and air, moving and stationary gas turbine engines, and aircraft scramjet and ramjet engines and components thereof.
6. Electrical/electronic substrates, heat sinks or packages, including but not limited to components thereof for active or passive electronic devices, and assemblies thereof.
7. Electronic devices whose primary function is to serve as a capacitor, resistor, inductor, or part thereof, or arrays of same, not including superconductive inductors.

8. Electro-optic and photovoltaic devices whose primary function is to transform electrical signals to optical signals.

9. RFI shielding, electrical ground planes, antennae and components thereof.

10. Electrical wire and cable, and components thereof.

11. Generators, alternators or parts thereof not including prime movers, brakes, clutches or other assemblies associated therewith.

12. Electric motors, or parts thereof.

13. Electrical transformers, electromagnets, electric relays and components thereof.

14. Superconducting inductors.

15. Connectors for electronic devices.

16. Electro-optic and photovoltaic devices whose primary function is to transform optical signals to electrical signals.

17. Electronic devices whose primary function is to serve as a vacuum tube, a discharge tube, a magnetron, a wave guide, emitter, receiver, or part thereof.

18. Solid state electronic transducer, transistor, diode or integrated circuit wafers, chips or elements.

19. Electric incandescent, fluorescent or discharge lamps, and components thereof.

20. Electrical switches, switchgear and components thereof.

21. Electric fuel cells, thermoelectric devices and electric batteries, or components thereof.

22. Electrodes and electrical terminations, interconnects, splices, plugs, sockets, and components thereof.

23. Electrical fuses and fusible links, and components thereof.

24. Human or other animal prostheses, including, but not limited to, bone, tooth or organ replacement or supplement.

25. Components, combinations thereof for incorporation into systems, and systems comprising such components, designed specifically to provide ballistic protection for ground vehicles, artillery, amphibious vehicles, aircraft, spacecraft, space installations, missiles, marine craft, marine installations, and personnel.

26. Components and parts, including but not limited to complete assemblies, that are, or become a direct part of, solid, liquid or gas fueled rocket engines for all military and civilian uses including but not limited to tactical and strategic missile engines and space launch and orbital insertion rocket engines.

27. Products to inhibit corundum formation in aluminum melting furnaces.

28. Abrasive grain for supplying the coated abrasives, bonded abrasives and loose abrasives markets.

29. Grinding wheels.

30. Gun systems, including but not limited to both conventional smokeless propellant driven systems and electromagnetic-driven railgun systems, and/or components therefor.

31. Electric resistance-heated igniters for use as fuel ignition devices in all applications except internal combustion, gas turbine and rocket engine use, including but not limited to components for these applications, such as electrically operated resistance heating elements supports and interconnections for such elements and resistance-heated igniter assemblies.

32. Ceramic and ceramic matrix composite powders, microspheres, tubules and platelets for use as ceramic raw materials or as raw materials for ceramic matrix, metal matrix or polymer matrix composites.

33. Fuel injectors and fuel injector components for use in internal combustion engines.

34. Cutting tools and components for cutting tools including but not limited to broaches, twist drills, gun drills and reamers, countersinks, combination drills and countersinks, counterbores, reamers, hobs, gear shapers, milling cutters, single and double point tools, circular form tools, threading tools, blank tips and inserts.

35. Track and undercarriage components, track systems

and ground contact hull structures, including but not limited to those for use on bulldozer, scraper, earthmover, backhoe, skidder, armored vehicle, dragline, conveyor, or mining equipment.

36. Aircraft and marine propellers, rotors and other propulsive devices and shaft seals and components therefor.

37. Inspection tools, including but not limited to gages, gage blocks, go no-go gages, joe blocks, inspection systems, coordinate measuring equipment.

38. Sensors, sheathing for sensors, and components thereof.

39. All military component applications.

40. Building product components.

41. Furnace components and hardware including heating elements, kiln rollers, kiln furniture, batts and crucibles.

42. Housewares and components thereof.

43. All engine and power transmission components.

44. Security devices including safes, locks, vaults, and components thereof.

45. Welding electrodes.

46. Paints and Adhesives.