

07-20-1998

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MRO 7-14-98

100767773

Attorney Docket No.: 028965-0023

To the Assistant Commissioner for Patents:
Please record the attached original documents or copy thereof.

ATTN: BOX ASSIGNMENT

1. Name of conveying party(ies):

SUPERFLUSH, INC.
dba The Perix Group

2. Name and address of receiving party(ies):

Name: Bilstein Corporation of America

Internal Address:

Additional name(s) of conveying party(ies) attached?

Yes No

Street Address: 8845 Rehco Road

3. Nature of conveyance:

Assignment Merger
 Security Agreement Change of Name
 Other _____

City: San Diego
State: California Zip: 92121

Additional name(s) & address(es) attached?

Yes No

Execution Date: March 3, 1995

4. Application number(s) or patent number(s):

If this document is being filed together with a new application the execution date of the application is: _____

A. Patent Application No.(s): B. Patent No.(s) 5,063,896

Additional numbers attached: Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Mr. Matthew T. Bailey
Internal Address: Morgan, Lewis & Bockius LLP

6. Total number of applications and patents involved: 1

7. Total fee (37 C.F.R §3.41): \$40.00
 Enclosed
 Authorized to be charged to deposit account 50-0310
 The Commissioner is hereby authorized to charge any fees which may be required, or credit any overpayment to deposit account.

Street Address: 1800 M Street, N.W.
City: Washington State: D.C. Zip: 20036

8. Deposit account number: **50-0310**
Attach duplicate of page if paying by deposit account

9. Statement and Signature

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

07/17/1998 BMEUYEN 00000183 5063896
01 FC:581 Matthew T. Bailey 40.00 OP
Name of Person Signing

Matthew T. Bailey
Signature

7/14/98
Date

Total number of pages including cover sheet, attachments and documents: 1

SECURITY AGREEMENT

THIS SECURITY AGREEMENT, is entered into as of this 3rd day of March, 1995 between BILSTEIN CORPORATION OF AMERICA, a California corporation ("Bilstein"), with its principal office at 8845 Rehco Road, San Diego, California 92121, and SUPERFLUSH, INC. dba The Perix Group, a California corporation ("Perix"), with its principal office at 15701 Graham Street, Huntington Beach, California 92649.

The parties agree as follows:

1. DEFINITIONS AND CONSTRUCTION

1.1 Definitions. Capitalized terms used in this Agreement shall have the meanings set forth in Schedule I.

1.2 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. When used herein, the term "financial statements" shall include the notes and schedules thereto.

1.3 Code. Any terms used in this Agreement which are defined in the Code shall be construed and defined as set forth in the Code unless otherwise defined herein.

1.4 Construction. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, to the singular include the plural. The words "hereof," "herein," "hereby," "hereunder," and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Section, subsection, clause, and exhibit references are to this Agreement unless otherwise specified.

1.5 Schedules and Exhibits. All of the schedules and exhibits attached to this Agreement shall be deemed incorporated herein by reference.

2. TERM OF AGREEMENT

This Agreement shall become effective upon the execution and delivery hereof by Perix and Bilstein, and shall continue in full force and effect until all Obligations have been indefeasibly paid in full.

3. CREATION OF SECURITY INTEREST

3.1 Grant of Security Interest. Perix hereby grants to Bilstein a continuing security interest in all currently existing and hereafter acquired or arising

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Collateral in order to secure prompt repayment or prompt performance, as applicable, of any and all Obligations. Bilstein's security interest in the Collateral shall attach to all Collateral without further act on the part of Bilstein or Perix.

3.2 Delivery of Additional Documentation Required. Perix shall execute and deliver to Bilstein, prior to or concurrently with Perix's execution and delivery of this Agreement and at any time thereafter at the request of Bilstein, all financing statements, continuation financing statements, fixture filings, security agreements, chattel mortgages, pledges, assignments, endorsements of certificates of title, applications for title, affidavits, reports, notices, letters of authority, and all other documents that Bilstein may reasonably request, in form satisfactory to Bilstein, to perfect and continue perfected Bilstein's security interests in the Collateral and in order to fully consummate all of the transactions contemplated under this Agreement.

3.3 Power of Attorney. Perix hereby irrevocably makes, constitutes, and appoints Bilstein (and any of Bilstein's officers, employees, or agents designated by Bilstein) as Perix's true and lawful attorney, with power to: (a) sign the name of Perix on any of the documents described in Section 3.2 or on any other similar documents to be executed, recorded, or filed in order to perfect or continue perfected Bilstein's security interest in the Collateral; (b) endorse Perix's name on any checks, notices, acceptances, money orders, drafts, or other items of payment or security that may come into Bilstein's possession; (c) at any time that an Event of Default has occurred or Bilstein deems itself insecure, make, settle, and adjust all claims under Perix's policies of insurance in respect of the Collateral and make all determinations and decisions with respect to such policies of insurance. The appointment of Bilstein as Perix's attorney, and each and every one of Bilstein's rights and powers, being coupled with an interest, is irrevocable until all of the Obligations have been fully repaid and performed.

3.4 Right to Inspect. Bilstein (through any of its officers, employees, or agents) shall have the right, from time to time hereafter to inspect Perix's Books and to check, test, and appraise the Collateral in order to verify Perix's financial condition or the amount, quality, value, condition of, or any other matter relating to, the Collateral.

4. REPRESENTATIONS AND WARRANTIES.

Perix represents and warrants as follows:

4.1 Prior Encumbrances. Perix has good and indefeasible title to the Collateral, free and clear of liens, claims, security interests, or encumbrances except for Permitted Liens. None of the Collateral has been purchased by Perix within the six (6) months period preceding the Closing Date, except for sales to Perix in the ordinary course of the seller's business.

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4.2 Location of Equipment. The Equipment is not now and shall not at any time hereafter be stored with a bailee, warehouseman, or similar party without Bilstein's prior written consent. Perix shall keep the Equipment only at the following location: 15701 Graham Street, Huntington Beach, California 92649. None of the Equipment has been located, during the six (6) month period prior to the Closing Date, in any jurisdiction other than the county(ies) and state(s) set forth in this Section.

4.3 Location of Chief Executive Office. The chief executive office of Perix is located at the address indicated in the first paragraph of this Agreement and Perix covenants and agrees that it will not, without thirty (30) days prior written notification to Bilstein, relocate such chief executive office.

4.4 Fictitious Business Name(s). Perix uses only the following Fictitious Business Names and none other: The Perix Group.

4.5 Due Organization and Qualification. Perix is and shall at all times hereafter be duly organized and existing and in good standing under the laws of the state of its incorporation and qualified and licensed to do business in, and in good standing in, any state in which the conduct of its business or its ownership of the Collateral requires that it be so qualified.

4.6 Due Authorization; No Conflict. The execution, delivery, and performance of the Transaction Documents are within Perix's corporate powers, have been duly authorized, and are not in conflict with nor constitute a breach of any provision contained in Perix's Articles of Incorporation, or By-laws, nor will they constitute an event of default under any material agreement to which Perix is a party.

4.7 Environmental Condition. None of Perix's properties or assets has ever been used by Perix or, to the best of Perix's knowledge, by previous owners or operators in the disposal of, or to produce, store, handle, treat, release, or transport, any hazardous waste or hazardous substance. None of Perix's properties or assets has ever been designated or identified in any manner pursuant to any environmental protection statute as a hazardous waste or hazardous substance disposal site, or a candidate for closure pursuant to any environmental protection statute. No lien arising under any environmental protection statute has attached to any revenues or to any real or personal property owned or operated by Perix. Perix has not received a summons, citation, notice, or directive from the Environmental Protection Agency or any other federal or state governmental agency concerning any action or omission by Perix resulting in the releasing or disposing of hazardous waste or hazardous substances into the environment.

4.8 Reliance by Bilstein; Cumulative. Each warranty and representation contained in this Agreement shall be conclusively presumed to have been relied on by Bilstein regardless of any investigation made or information possessed by Bilstein. The warranties and representations set forth herein shall be cumulative and in addition to any and

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all other warranties and representations that Perix shall now or hereinafter give, or cause to be given, to Bilstein.

5. AFFIRMATIVE COVENANTS.

Perix covenants and agrees that, until payment and performance in full of the Obligations, and unless Bilstein shall otherwise consent in writing, Perix shall do all of the following:

5.1 Financial Statements, Reports, Certificates. Perix agrees to deliver to Bilstein: (a) as soon as available, but in any event within thirty (30) days after the end of each month during each of Perix's fiscal years, a company prepared balance sheet, income statement, and cash flow statement covering Perix's operations during such period; and (b) as soon as available, but in any event within ninety (90) days after the end of each of Perix's fiscal years, financial statements of Perix for each such fiscal year, compiled or reviewed by independent certified public accountants acceptable to Bilstein and certified, without any qualifications, by such accountants to have been prepared in accordance with GAAP. Such compiled or reviewed financial statements shall include a balance sheet, profit and loss statement, and cash flow statement, and such accountants' letter to management. Perix shall have issued written instructions to its independent certified public accountants, auditors and other third parties having Perix's financial information authorizing them to release to Bilstein, at Perix's expense, whatever financial information concerning Perix that Bilstein may request. If Perix is a parent company of one or more subsidiaries, or affiliates, or is a subsidiary or affiliate of another company, then, in addition to the financial statements referred to above, Perix agrees to deliver financial statements prepared on a consolidating basis so as to present Perix and each such related entity separately, and on a consolidated basis.

5.2 Title to Equipment. Upon Bilstein's request, Perix shall immediately deliver to Bilstein, properly endorsed, any and all evidences of ownership of, certificates of title, or applications for title to any items of Equipment.

5.3 Maintenance of Equipment. Perix shall keep and maintain the Equipment in good operating condition and repair, and make all necessary replacements thereto so that the value and operating efficiency thereof shall at all times be maintained and preserved. Perix shall not permit any item of Equipment to become a fixture to real estate or an accession to other property, and the Equipment is now and shall at all times remain personal property.

5.4 Insurance.

(a) Perix, at its expense, shall keep the Collateral insured against "all risks" including loss or damage by fire, theft, explosion, sprinklers, and all other hazards and risks, and in the full insurable value thereof. Perix also shall maintain business

interruption, public liability, and property damage insurance relating to Perix's ownership and use of the Collateral.

(b) All such policies of insurance shall be in such form, with such companies, and in such amounts as may be satisfactory to Bilstein. All such policies of insurance (except those of public liability and property damage) shall contain a 438BFU lender's loss payable endorsement, or an equivalent endorsement in a form satisfactory to Bilstein, showing Bilstein as loss payee thereof, and shall contain a waiver of warranties, and shall specify that the insurer must give at least ten (10) days prior written notice to Bilstein before canceling its policy for any reason. Perix shall deliver to Bilstein certified copies of such policies of insurance and evidence of the payment of all premiums therefor.

5.5 Bilstein Expenses. Perix shall immediately and without demand reimburse Bilstein for all sums expended by Bilstein which constitute Bilstein Expenses and Perix hereby authorizes and approves all advances and payments by Bilstein for items constituting Bilstein Expenses. Any Bilstein Expenses not paid promptly by Perix shall constitute Obligations.

5.6 No Setoffs or Counterclaims. All payments hereunder and under the other Transaction Documents made by or on behalf of Perix shall be made without setoff or counterclaim and free and clear of, and without deduction or withholding for or on account of, any federal, state or local taxes.

6. NEGATIVE COVENANTS.

Perix covenants and agrees that, until payment and performance in full of the Obligations, Perix will not do any of the following without Bilstein's prior written consent:

6.1 Liens. Create, incur, assume, or permit to exist, directly or indirectly, any lien on or with respect to any of the Collateral, of any kind, whether now owned or hereafter acquired, or any income or profits therefrom, except for Permitted Liens.

6.2 Disposal of Collateral. Sell, lease, or otherwise dispose of, move, relocate, or transfer, whether by sale or otherwise, any of the Collateral, except in the ordinary course of its business.

6.3 Change Name. Change Perix's name, business structure, or identity, or add any new fictitious name.

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7. EVENTS OF DEFAULT.

Any one or more of the following events shall constitute an event of default (each, an "Event of Default") under this Agreement:

7.1 If Perix fails to pay when due and payable or when declared due and payable, any portion of the Obligations (whether of principal, interest (including any interest which, but for the provisions of the United States Bankruptcy Code, would have accrued on such amounts), fees and charges due Bilstein, taxes, reimbursement of Bilstein Expenses, or otherwise):

7.2 If Perix fails or neglects to perform, keep, or observe any term, provision, condition, covenant, or agreement contained in any of the Transaction Documents or in any other present or future agreement between Perix and Bilstein;

7.3 If any material portion of Perix's assets is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes into the possession of any Judicial Officer or Assignee;

7.4 If an Insolvency Proceeding is commenced by Perix;

7.5 If an Insolvency Proceeding is commenced against Perix;

7.6 If Perix is enjoined, restrained, or in any way prevented from continuing to conduct all or any material part of its business affairs;

7.7 If a notice of lien, levy, or assessment is filed of record with respect to any of Perix's assets by the United States Government, or any department, agency, or instrumentality thereof, or by any state, county, municipal, or governmental agency, or if any taxes or debts owing at any time hereafter to any one or more of such entities becomes a lien, whether choate or otherwise, upon any of Perix's assets and the same is not paid on the payment date thereof;

7.8 If a judgment or other claim becomes a lien or encumbrance upon any material portion of Perix's assets;

7.9 If there is a default in any material agreement to which Perix is a party with third parties resulting in a right by such third parties, whether or not exercised, to accelerate the maturity of Perix's indebtedness thereunder; or

7.10 If any misstatement or misrepresentation exists now or hereafter in any warranty, representation, statement, or report made to Bilstein by Perix or any officer, employee, agent, or director of Perix, or if any such warranty or representation is withdrawn by any officer or director.

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8. BILSTEIN'S RIGHTS AND REMEDIES

8.1 Rights and Remedies. Upon the occurrence of an Event of Default Bilstein may, at its election, without notice of its election and without demand, do any one or more of the following, all of which are authorized by Perix:

(a) Declare any and all Obligations, whether evidenced by this Agreement, by any of the other Transaction Documents, or otherwise, immediately due;

(b) Terminate this Agreement and any of the other Transaction Documents as to any future liability or obligation of Bilstein, but without affecting Bilstein's rights and security interest in the Collateral and without affecting the Obligations;

(c) Without notice to or demand upon Perix, make such payments and do such acts as Bilstein considers necessary or reasonable to protect its security interest in the Collateral. Perix agrees to assemble the Collateral if Bilstein so requires, and to make the Collateral available to Bilstein as Bilstein may designate. Perix authorizes Bilstein to enter the premises where the Collateral is located, to take and maintain possession of the Collateral, or any part of it, and to pay, purchase, contest, or compromise any encumbrance, charge, or lien that in Bilstein's determination appears to be prior or superior to its security interest and to pay all expenses incurred in connection therewith. With respect to any of Perix's owned premises, Perix hereby grants Bilstein a license to enter into possession of such premises and to occupy the same, without charge, for up to one hundred twenty (120) days in order to exercise any of Bilstein's rights or remedies provided herein, at law, in equity, or otherwise;

(d) Without notice to Perix (such notice being expressly waived) set off and apply to the Obligations any and all (i) balances and deposits of Perix held by Bilstein, or (ii) indebtedness at any time owing to or for the credit or the account of Perix held by Bilstein;

(e) Store, maintain, repair, prepare for sale, advertise for sale, and sell (in the manner provided for herein) the Collateral. Bilstein is hereby granted a license or other right to use, without charge, Perix's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any property of a similar nature, as it pertains to the Collateral, advertising for sale and selling any Collateral and Perix's rights under all licenses and all franchise agreements shall inure to Bilstein's benefit;

(f) Sell the Collateral at either a public or private sale, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including Perix's premises) as Bilstein determines is commercially reasonable. It is not necessary that the Collateral be present at any such sale;

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(g) Bilstein may credit bid and purchase at any public sale. Bilstein shall give notice of the disposition of the Collateral as follows:

(i) Bilstein shall give Perix and each holder of a security interest in the Collateral who has filed with Bilstein a written request for notice, a notice in writing of the time and place of public sale, or, if the sale is a private sale or some other disposition other than a public sale is to be made of the Collateral, then the time on or after which the private sale or other disposition is to be made:

(ii) The notice shall be personally delivered or mailed, postage prepaid, to Perix as provided in Section 11, at least five (5) calendar days before the date fixed for the sale, or at least five (5) calendar days before the date on or after which the private sale or other disposition is to be made, unless the Collateral is perishable or threatens to decline speedily in value. Notice to persons other than Perix claiming an interest in the Collateral shall be sent to such addresses as they have furnished to Bilstein;

(iii) If the sale is to be a public sale, Bilstein also shall give notice of the time and place by publishing a notice one time at least five (5) calendar days before the date of the sale in a newspaper of general circulation in the county in which the sale is to be held;

8.2 Deficiency; Excess Proceeds. Any deficiency that exists after disposition of the Collateral as provided above will be paid immediately by Perix. Any excess will be returned, without interest and subject to the rights of third parties, by Bilstein to Perix.

8.3 Remedies Cumulative. Bilstein's rights and remedies under the Transaction Documents and all other agreements shall be cumulative. Bilstein shall have all other rights and remedies not inconsistent herewith as provided under the Code, by law, or in equity. No exercise by Bilstein of one right or remedy shall be deemed an election, and no waiver by Bilstein of any Event of Default shall be deemed a continuing waiver. No delay by Bilstein shall constitute a waiver, election, or acquiescence by it.

9. WAIVERS

9.1 Demand; Protest; etc. Perix waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees at any time held by Bilstein on which Perix may in any way be liable.

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10. NOTICES

Any notice, request, demand or other communication required or permitted hereunder shall be given or made in the manner provided in Paragraph 7.01 of the Distributor Agreement.

11. ARBITRATION

11.1 Any dispute, controversy or claim arising out of or relating to this Agreement or to a breach hereof, including its interpretation, performance or termination, shall be exclusively and finally resolved by arbitration. The arbitration shall be conducted by three arbitrators. Each party shall appoint one arbitrator within ten (10) days after receipt by the respondent of the demand to arbitrate. Within the same period, the American Arbitration Association shall appoint the third, and presiding, arbitrator in accordance with its rules. The arbitration shall be conducted in accordance with the commercial rules of the American Arbitration Association, which shall administer the arbitration and act as appointing authority. The arbitration, including the rendering of the award, shall take place in San Diego, California, and shall be the exclusive forum for resolving such dispute, controversy or claim. The decision of the arbitrators shall be binding upon the parties hereto, and the expense of the arbitration shall be paid as the arbitrators determine. The decision of the arbitrators shall be executory, and judgment thereon may be entered by any court of competent jurisdiction. The arbitrator shall award attorneys' fees to the prevailing party.

11.2 No provision of, or the exercise of any right(s) under Paragraph 11.2 shall limit the right of any party to exercise self help remedies such as set off, to foreclose against any real or personal property collateral, or obtain provisional or ancillary remedies such as injunctive relief or the appointment of a receiver from any court having jurisdiction before, during or after the pendency of any arbitration. The institution and maintenance of an action for provisional remedies, pursuit of provisional or ancillary remedies or exercise of self help remedies shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration.

12. DESTRUCTION OF PERIX'S DOCUMENTS

All documents, agings, or other papers delivered to Bilstein may be destroyed or otherwise disposed of by Bilstein four (4) months after they are delivered to or received by Bilstein, unless Perix requests, in writing, the return of said documents, schedules, or other papers and makes arrangements, at Perix's expense, for their return.

13. GENERAL PROVISIONS

13.1 Effectiveness. This Agreement shall be binding and deemed effective when executed by Perix and Bilstein.

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13.2 Successors and Assigns. This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties; provided, however, that Perix may not assign this Agreement or any rights or duties hereunder without Bilstein's prior written consent and any prohibited assignment shall be absolutely void. No consent to an assignment by Bilstein shall release Perix from its Obligations. Bilstein may assign this Agreement and its rights and duties hereunder. Bilstein reserves the right to sell, assign, transfer, negotiate, or grant participations in all or any part of, or any interest in Bilstein's rights and benefits hereunder. In connection therewith, Bilstein may disclose all documents and information which Bilstein now or hereafter may have relating to Perix or Perix's business. To the extent that Bilstein assigns its rights and obligations hereunder to a third party, Bilstein shall thereafter be released from such assigned obligations to Perix and such assignment shall effect a novation between Perix and such third party.

13.3 Section Headings. Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each paragraph applies equally to this entire Agreement.

13.4 Interpretation. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Bilstein or Perix, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

13.5 Severability of Provisions. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

13.6 Amendments in Writing. This Agreement cannot be changed or terminated orally. All prior agreements, understandings, representations, warranties, and negotiations, if any, are merged into this Agreement.

13.7 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement.

13.8 Revival and Reinstatement of Obligations. If the incurrence or payment of the Obligations by Perix or the transfer by either or both of such parties to Bilstein of any property of either or both of such parties should for any reason subsequently be declared to be improper under any state or federal law relating to creditors' rights, including, without limitation, provisions of the United States Bankruptcy Code relating to fraudulent conveyances, preferences, and other voidable or recoverable payments of money or transfers of property (collectively, a "Voidable Transfer"), and if Bilstein is required to repay or restore, in whole or in part, any such Voidable Transfer, or elects to do so upon the


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reasonable advice of its counsel, then, as to any such Voidable Transfer, or the amount thereof that Bilstein is required to repay or restore, and as to all reasonable costs, expenses and attorneys' fees of Bilstein related thereto, the liability of Perix shall automatically be revived, reinstated, and restored and shall exist as though such Voidable Transfer had never been made.

13.9 Integration. This Agreement and the other Transaction Documents (including, without limitation, all of the schedules hereto and thereto) shall constitute the complete agreement of Bilstein and Perix with respect to the subject matters referred to herein and supersede all prior or contemporaneous negotiations, promises, covenants, agreements and representations of every kind or nature whatsoever with respect thereto, all of which have become merged and finally integrated into this Agreement and the other Transaction Documents. Both Bilstein and Perix understand that in the event of any subsequent dispute, controversy or claim concerning any terms, conditions or provision of this Agreement, neither party shall be permitted to offer or introduce any evidence concerning any other oral promises or oral agreements between the parties relating to the subject matter of this Agreement not included or referred to herein and not reflected by a writing.

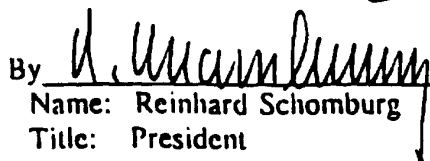
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed at San Diego, California.

SUPERFLUSH, INC., dba The Perix Group,
a California corporation

By  _____
Name: Erik Waelput
Title: President

Accepted and effective this 3rd day of March, 1995.

BILSTEIN CORPORATION OF AMERICA,
a California corporation

By  _____
Name: Reinhard Schomburg
Title: President