

11/21/2011

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COVER SHEET
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To the Director of the U.S. Patent and Trademark Office, or to the address(es) of the recipient(s) of the attached documents or the new address(es) below.

1. Name of conveying party(ies)

Ash Stevens, Inc., a Michigan corporation

Additional name(s) of conveying party(ies) attached? Yes No

2. Name and address of receiving party(ies)

Name: Citizens Bank

Internal Address: _____

Street Address: 900 Tower Drive, Suite 200

City: Troy

State: Michigan

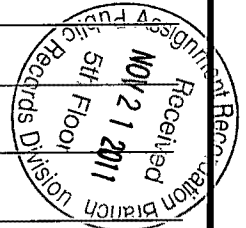
Country: United States Zip: 48098

Additional name(s) & address(es) attached? Yes No

3. Nature of conveyance/Execution Date(s):

Execution Date(s) November 10, 2011

- Assignment Merger
- Security Agreement Change of Name
- Joint Research Agreement
- Government Interest Assignment
- Executive Order 9424, Confirmatory License
- Other _____



4. Application or patent number(s):

This document is being filed together with a new application.

A. Patent Application No.(s)

B. Patent No.(s)

6,989,386

Additional numbers attached? Yes No

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

Name: Pat Moorhead

Internal Address: _____

Street Address: Couzens Lansky

39395 W. 12 Mile Road, Suite 200

City: Farmington Hills

State: Michigan Zip: 48331

Phone Number: 248-489-8600

Fax Number: 248-489-4156

Email Address: Pat.Moorhead@couzens.com

6. Total number of applications and patents involved: ONE

7. Total fee (37 CFR 1.21(h) & 3.41) \$ 40.00

- Authorized to be charged to deposit account
- Enclosed
- None required (government interest not affecting title)

8. Payment Information

Deposit Account Number: 00000030 6989386

Authorized User Name: _____

9. Signature:

Pat Moorhead
Signature

November 17, 2011
Date

Pat Moorhead 248-489-8600
Name of Person Signing

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

17

Documents to be recorded (including cover sheet) should be faxed to (571) 273-0140, or mailed to:
Mail Stop Assignment Recordation Services, Director of the USPTO, P.O.Box 1450, Alexandria, V.A. 22313-1450

COLLATERAL PATENT ASSIGNMENT

WHEREAS, Ash Stevens Inc., a Michigan corporation, ("Assignor"), is the owner of the entire right, title and interest in and to the following patent:

TITLE	DATE OF PATENT	PATENT NUMBER
PROCESS OF MAKING PHARMACEUTICALLY ACTIVE ONRITHINE DERIVATIVES, AMMONIUM SALTS THEREOF	January 24, 2006	6,989,386

together with all other Intellectual Property applicable thereto (as that term is defined in Exhibit A attached hereto); and

WHEREAS, Assignor and Citizens Bank, a Michigan banking corporation ("Assignee"), are parties to a certain Security Agreement dated March 13, 2003 (together with any and all amendments now or hereafter made thereto, hereafter known as the "Security Agreement") which provides for the grant by Assignor to Assignee of a continuing security interest in certain of Assignor's assets, including, without limitation, the patent named above and all other Intellectual Property applicable thereto; and

WHEREAS, Assignee has required, as a condition to the loans, advances or other financial accommodations to Assignor under the Security Agreement, that Assignor execute and deliver to Assignee this Collateral Patent Assignment.

NOW, THEREFORE, in view of the payment of One Dollar and 00/100 (\$1.00) and other legally sufficient and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Assignor, Assignor DOES HEREBY assign and transfer to Assignee all right, title and interest in and to the patent and all other Intellectual Property applicable thereto of Assignee to secure the complete and timely satisfaction of all of the Liabilities (as that term is defined in the Security Agreement).

IN WITNESS WHEREOF, Assignor has executed this Assignment this 10th day of November, 2011.

Assignor:

Ash Stevens Inc., a Michigan corporation

Dated: November 10, 2011

By: _____

Stephen A. Munk

Its: President



CORPORATE CAPACITY

[notarized on following page]

STATE OF MICHIGAN)
) ss.
COUNTY OF OAKLAND)

Subscribed and sworn to before me this 10th day of November, 2011.

Cecelia Kendrick
Notary Public

CECELIA KENDRICK
NOTARY PUBLIC, STATE OF MI
COUNTY OF WAYNE
MY COMMISSION EXPIRES Jul 29, 2012

EXHIBIT A

For the purposes hereof, the following terms shall have the following meanings:

- The Intellectual Property (as hereinafter defined).
 - (i) "Confidentiality Agreements" shall mean any contract, letter, document, instrument or similar agreement executed between Assignor and any third party (including, but not by way of limitation, all employee or contractor agreements), now or hereafter existing or by oral agreement or by operation of law which grants, retains or evidences rights in any Intellectual Property or any Product.
 - (ii) "Governmental Regulation" shall mean, by way of example, but not by way of limitation, (x) any applicable law, regulation, ordinance or similar requirement of the United States, any foreign country, any state, county, city or other department, agency or subdivision of any of the foregoing, including any governmental body, quasi-governmental body, or other duly constituted authority (judicial, legislative, administrative or otherwise) (sometimes hereinafter referred to as "Governmental Agency"), Person and/or Issuer, having jurisdiction over, or applicable to, or affecting any of the Intellectual Property or Products (as defined herein), and the use thereof, or (y) any requirement, obligation, covenant, condition or undertaking under any purchase order or other similar contractual agreement relating to the manufacturing, purchasing or selling of any of the Products ("Contractual Obligation").
 - (iii) "Intellectual Property" shall mean, whether or not in connection with any of the Products and by way of example, but not by way of limitation, all past, present and future, information, materials, formulae, processes, "know-how", inventions (whether or not patentable), copyrights, trademarks, trade dress rights, trade secrets, Patent Rights (as defined herein) concepts, ideas, techniques, processes, works of authorship, discoveries, enhancements, derivative works, upgrades, compilations, collective works, applications, improvements, adaptations, modifications, changes and variations, including all drawings, engineering drawings, designs, specifications models, mock-ups, prototypes, functional models, tools, development environments, computer software programs (and enhancements, upgrades and modifications thereof), user and other manuals, flow charts, source code and object code, merchandising procedures, customer and supplier information and lists (past, present and prospective) research, research notes, and memoranda and records, research, development and business activities, business plans, business and operational strategies, pricing policies, financial information, market analyses, market productions, consulting and sales methods and techniques, product costs, profit margins, goodwill, employees and employee compensation, and all copies, summaries, outlines and other representations thereof, and which the Assignor directly or indirectly (by way of Third Party Agreements or otherwise) conceives, develops, completes, practices, utilizes, owns or has any right, title or interest in.
 - (iv) "License(s)" shall mean any contract, letter, document, instrument or similar agreement whereby Assignor grants, retains or receives legal permission to or from any third party to make use of any of the Intellectual Property or Products, or any portion thereof, in whole or in part.
 - (v) "Issuer" shall mean any Person, now or hereafter, by way of example, but not by way of limitation, duly authorized, empowered, directed, appointed, constituted, delegated, or otherwise acting, to, by way of example, but not by way of limitation, enact, administer, promulgate, issue, direct, enforce, revoke, suspend, terminate or condition any Governmental Regulation, specifically including, but not by way of limitation, any Contractual Obligation.
 - (vi) "Patent Rights" shall mean, all patents listed in the exhibits, and all patents which may have or will be obtained in respect of the Products and all corresponding inventions set forth therein; any applications for U.S. and

foreign patents which may have been or will be filed in connection therewith; any corresponding applications for patents and patents therefor in all other areas of the world; and any improvements, modifications, reissues, extensions, substitutions, confirmations, divisions, continuations, and continuations-in-part of any of the foregoing, together with the right to bring suit and collect for past, present and future infringements thereof; and all income, royalties, damages and payments now and hereafter due and/or payable under and with respect thereto, including, without limitation, damages and payments for past or future infringements thereof; and all other proceeds and products of the foregoing, including, without limitation, any rights pursuant to Assignor's agreements (including Third Party Agreements) with any other party relating thereto.

- (vii) "Person" shall mean any individual, company, corporation, trust, limited liability company, firm or other entity.
- (viii) "Products" shall mean any and all goods and services which at any time are, will be or have been developed, manufactured, marketed, conceived, considered, pursued or sold by the Assignor together with all Intellectual Property applicable thereto. Products shall include but not be limited to those Product(s) described in the exhibit(s) attached hereto as of the execution of this Agreement and as such exhibits may be amended by Assignee at any time during the term hereof.
- (ix) "Third Party Agreements" shall mean all Licenses, Confidentiality Agreements, and other agreements of any kind between Assignor and a third party that relate in any way to the Intellectual Property or Products.
- (ix) Together with:

- All Proceeds (whether Cash Proceeds or Noncash Proceeds) of the foregoing property, including without limitation proceeds of insurance payable by reason of loss or damage to the foregoing property and of eminent domain or condemnation awards.
- All products of, additions and accessions to, and substitutions, betterments and replacements for the foregoing property.
- All sums at any time credited by or due from the Assignee to Assignor.
- All property in which the Assignor has an interest now or at any time hereafter coming into the possession or under the control of the Assignee or in transit by mail or carrier to or from the Assignee or in possession of or under the control of any third party acting on the Assignee's behalf without regard to whether the Assignee received the same in pledge, for safekeeping, as agent for collection or transmission or otherwise or whether the Assignee has conditionally released the same (excluding, nevertheless, any of the foregoing property of the Assignor which now or any time hereafter is in possession or control of the Assignee under any written trust agreement wherein the Assignee is trustee and Assignor is trustor).

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SECURITY AGREEMENT

THIS AGREEMENT is made on March 13, 2003 by and between the Grantor, as herein defined, and Citizens Bank., a Michigan banking corporation ("Bank" or "Lender"), whose address is 700 East Big Beaver Road, Troy, Michigan 48083.

IN CONSIDERATION of loans, advances or other financial accommodations from the Bank to the Grantor and/or the Borrower, the Grantor agrees as follows:

1. **Definitions.** The following terms shall have the following meanings when used in this Agreement:
 - a. **"Borrower"** means Ash Stevens Inc., a corporation organized under the laws of the State of Michigan, whose chief executive office or residence is located at 5861 John C. Lodge Freeway, Detroit, Michigan 48202.
 - b. **"Collateral"** means the property and interests in property described in Section 3 below.
 - c. **"Grantor"** means Ash Stevens Inc., a corporation organized under the laws of the State of Michigan, whose chief executive office or residence is located at 5861 John C. Lodge Freeway, Detroit, Michigan 48202.
 - d. **"Liabilities"** means all loans, advances or other financial accommodations, including any renewals or extensions thereof, from the Bank to Grantor and/or the Borrower and any and all liabilities and obligations of any and every kind and nature heretofore, now or hereafter owing from Grantor and/or the Borrower to the Bank, however incurred or evidenced, whether primary, secondary, contingent or otherwise, whether arising under this Agreement, under any other security agreement(s), promissory note(s), guaranty(s), mortgage(s), lease(s), instrument(s), document(s), contract(s), letter(s) of credit or similar agreement(s) heretofore, now or hereafter executed by Grantor and/or Borrower and delivered to the Bank, or by oral agreement or by operation of law plus all interest, costs, expenses and reasonable attorney fees which may be made or incurred by the Bank in the disbursement, administration or collection of such liabilities and obligations and in the protection, maintenance and liquidation of the Collateral.

2. **Grant of Security Interest.** Grantor hereby grants to the Bank a continuing security interest in the Collateral and assigns all of Grantor's right, title and interest therein to secure the payment of the Liabilities.

3. **Collateral.** The Collateral covered by this Agreement is all the Grantor's property described below which it now owns or shall hereafter acquire or create immediately upon the acquisition or creation thereof:

- a. The following property where an "X" or check mark has been placed in the applicable box (if none of the following boxes is checked, it is understood and agreed that Grantor grants Bank a security interest in all of Grantor's personal property as if the box adjacent to the paragraph entitled "All Assets" had been checked):

- All Assets.** All personal property of the Grantor, including without limitation, all Accounts, including Health-Care-Insurance Receivables, Inventory, including without limitation raw materials, work in process, materials and finished goods leased by the Grantor as lessor or held for sale or lease or furnished or to be furnished under contracts of service or used or consumed in a business, Goods, Equipment, Securities, Investment Property, Deposit Accounts, Chattel Paper, including without limitation, Electronic Chattel Paper; Documents; Instruments, including without limitation, Promissory Notes; Letter of Credit Rights and proceeds of letters of credit; Supporting Obligations;

notes secured by real estate; Commercial Tort Claims and General Intangibles, including without limitation, Payment Intangibles and Software.

- Accounts.** All Accounts, including Health-Care-Insurance Receivables, and all Goods whose sale, lease or other disposition has given rise to Accounts and have been returned to, or repossessed or stopped in transit by, the Grantor, or rejected or refused by an Account Debtor.
- Inventory.** All Inventory, including without limitation raw materials, work in process, materials and finished goods leased by the Grantor as lessor or held for sale or lease or furnished or to be furnished under contracts of service or used or consumed in a business.
- Goods.** All Goods (other than Inventory), including without limitation, Equipment.
- Investment Property and Deposit Accounts.** All Securities, Investment Property and Deposit Accounts.
- Documents and Instruments.** All Chattel Paper, including without limitation, Electronic Chattel Paper; Documents; Instruments, including without limitation, Promissory Notes; Letter of Credit Rights and proceeds of letters of credit; Supporting Obligations; notes secured by real estate; Commercial Tort Claims and General Intangibles, including without limitation, Payment Intangibles and Software.

3 a.1 **Specific Property.** The following specifically described property of the Grantor:

- The Intellectual Property (as hereinafter defined).

For the purposes hereof, the following terms shall have the following meanings:

- (i) "Confidentiality Agreements" shall mean any contract, letter, document, instrument or similar agreement executed between Grantor and any third party (including, but not by way of limitation, all employee or contractor agreements), now or hereafter existing or by oral agreement or by operation of law which grants, retains or evidences rights in any Intellectual Property or any Product.
- (ii) "Governmental Regulation" shall mean, by way of example, but not by way of limitation, (x) any applicable law, regulation, ordinance or similar requirement of the United States, any foreign country, any state, county, city or other department, agency or subdivision of any of the foregoing, including any governmental body, quasi-governmental body, or other duly constituted authority (judicial, legislative, administrative or otherwise) (sometimes hereinafter referred to as "Governmental Agency"), Person and/or Issuer, having jurisdiction over, or applicable to, or affecting any of the Intellectual Property or Products (as defined herein), and the use thereof, or (y) any requirement, obligation, covenant, condition or undertaking under any purchase order or other similar contractual agreement relating to the manufacturing, purchasing or selling of any of the Products ("Contractual Obligation").
- (iii) "Intellectual Property" shall mean, whether or not in connection with any of the Products and by way of example, but not by way of limitation, all past, present

and future, information, materials, formulae, processes, "know-how", inventions (whether or not patentable), copyrights, trademarks, trade dress rights, trade secrets, Patent Rights (as defined herein) concepts, ideas, techniques, processes, works of authorship, discoveries, enhancements, derivative works, upgrades, compilations, collective works, applications, improvements, adaptations, modifications, changes and variations, including all drawings, engineering drawings, designs, specifications models, mock-ups, prototypes, functional models, tools, development environments, computer software programs (and enhancements, upgrades and modifications thereof), user and other manuals, flow charts, source code and object code, merchandising procedures, customer and supplier information and lists (past, present and prospective) research, research notes, and memoranda and records, research, development and business activities, business plans, business and operational strategies, pricing policies, financial information, market analyses, market productions, consulting and sales methods and techniques, product costs, profit margins, goodwill, employees and employee compensation, and all copies, summaries, outlines and other representations thereof, and which the Grantor directly or indirectly (by way of Third Party Agreements or otherwise) conceives, develops, completes, practices, utilizes, owns or has any right, title or interest in.

- (iv) "License(s)" shall mean any contract, letter, document, instrument or similar agreement whereby Grantor grants, retains or receives legal permission to or from any third party to make use of any of the Intellectual Property or Products, or any portion thereof, in whole or in part.
- (v) "Issuer" shall mean any Person, now or hereafter, by way of example, but not by way of limitation, duly authorized, empowered, directed, appointed, constituted, delegated, or otherwise acting, to, by way of example, but not by way limitation, enact, administer, promulgate, issue, direct, enforce, revoke, suspend, terminate or condition any Governmental Regulation, specifically including, but not by way of limitation, any Contractual Obligation.
- (vi) "Patent Rights" shall mean, all patents listed in the exhibits, and all patents which may have or will be obtained in respect of the Products and all corresponding inventions set forth therein; any applications for U.S. and foreign patents which may have been or will be filed in connection therewith; any corresponding applications for patents and patents therefor in all other areas of the world; and any improvements, modifications, reissues, extensions, substitutions, confirmations, divisions, continuations, and continuations-in-part of any of the foregoing, together with the right to bring suit and collect for past, present and future infringements thereof; and all income, royalties, damages and payments now and hereafter due and/or payable under and with respect thereto, including, without limitation, damages and payments for past or future infringements thereof; and all other proceeds and products of the foregoing, including, without limitation, any rights pursuant to Grantor's agreements (including Third Party Agreements) with any other party relating thereto.
- (vii) "Person" shall mean any individual, company, corporation, trust, limited liability company, firm or other entity.

- (viii) "Products" shall mean any and all goods and services which at any time are, will be or have been developed, manufactured, marketed, conceived, considered, pursued or sold by the Grantor together with all Intellectual Property applicable thereto. Products shall include but not be limited to those Product(s) described in the exhibit(s) attached hereto as of the execution of this Agreement and as such exhibits may be amended by Bank at any time during the term hereof.
- (ix) "Third Party Agreements" shall mean all Licenses, Confidentiality Agreements, and other agreements of any kind between Grantor and a third party that relate in any way to the Intellectual Property or Products.
- (x) Together with:
 - All Proceeds (whether Cash Proceeds or Noncash Proceeds) of the foregoing property, including without limitation proceeds of insurance payable by reason of loss or damage to the foregoing property and of eminent domain or condemnation awards.
 - All products of, additions and accessions to, and substitutions, betterments and replacements for the foregoing property.
 - All sums at any time credited by or due from the Bank to Grantor.
 - All property in which the Grantor has an interest now or at any time hereafter coming into the possession or under the control of the Bank or in transit by mail or carrier to or from the Bank or in possession of or under the control of any third party acting on the Bank's behalf without regard to whether the Bank received the same in pledge, for safekeeping, as agent for collection or transmission or otherwise or whether the Bank has conditionally released the same (excluding, nevertheless, any of the foregoing property of the Grantor which now or any time hereafter is in possession or control of the Bank under any written trust agreement wherein the Bank is trustee and Grantor is trustor).

Terms used and not otherwise defined in this Agreement shall have the meaning given such terms in the Michigan Uniform Commercial Code. In the event the meaning of any term defined in the Michigan Uniform Code is amended after the date of this Agreement, the meaning of such term as used in this Agreement shall be that of the more encompassing of: (i) the definition contained in the Michigan Uniform Commercial Code prior to the amendment, and (ii) the definition contained in the Michigan Uniform Commercial Code after the amendment.

4. **Perfection of Security Interest.** Grantor hereby irrevocably authorizes the Bank to file financing statement(s) describing the Collateral in all public offices deemed necessary by the Bank, and to take any and all actions, including, without limitation, filing all financing statements, continuation financing statements and all other documents that the Bank may reasonably determine to be necessary to perfect and maintain the Bank's security interests in the Collateral. Grantor shall have possession of the Collateral, except where expressly otherwise provided in this Agreement or where the Bank chooses to perfect its security interest by possession, whether or not in addition to the filing of a financing statement. Where Collateral is in the possession of a third party, Grantor will join with the Bank in notifying the third party of the Bank's security interest and obtaining an acknowledgement from the third party that it is holding the Collateral for the benefit of the Bank. Grantor will cooperate with the Bank in obtaining control with respect to Collateral consisting of Deposit Accounts, Investment Property, Letter-of-Credit Rights and Electronic Chattel Paper. Grantor will not create any Chattel Paper without placing a legend on the Chattel Paper acceptable to the Bank indicating that the Bank has a security interest in the Chattel Paper. Grantor shall pay the cost of filing or recording all financing statement(s) and other documents. Grantor agrees to promptly execute and deliver to the Bank all financing statements, continuation financing statements, assignments, certificates of title,

applications for vehicle titles, affidavits, reports, notices, schedules of Accounts, designations of Inventory, letters of authority and all other documents that the Bank may reasonably request in form satisfactory to the Bank to perfect and maintain the Bank's security interests in the Collateral. In order to fully consummate all of the transactions contemplated hereunder, Grantor shall make appropriate entries on its books and records disclosing the Bank's security interests in the Collateral.

5. **Warranties and Representations.** Grantor warrants and represents, except as may be otherwise disclosed in an attachment to this Agreement: (a) Grantor has rights in or the power to transfer the Collateral and its title to the Collateral is free and clear of all liens or security interests, except the Bank's security interests, (b) all Chattel Paper constituting Collateral evidences a perfected security interest in the goods covered by it free from all other liens and security interests, (c) no financing statements, other than that of the Bank, are on file covering the Collateral or any of it, (d) if Inventory is represented or covered by documents of title, Grantor is the owner of the documents free of all liens and security interests other than the Bank's security interest and warehousemen's charges, if any, not delinquent; (e) the Grantor's exact legal name and the address of the Grantor's chief executive office are as set forth in the first paragraph of this Agreement; (f) if the Grantor is a Registered Organization, the form of its organization and the State under which it is organized are as set forth in the first paragraph of this Agreement; (g) all Collateral consisting of Goods is located in the State under which the Grantor is organized, if the Grantor is a Registered Organization, or in the State in which the Grantor's chief executive office is located, if the Grantor is not a Registered Organization, except as the Grantor has otherwise disclosed to the Bank in writing; (h) the Collateral, wherever located, is covered by this Agreement; (i) each Account, Chattel Paper and General Intangible constituting Collateral is genuine and enforceable against the account debtor according to its terms, and it, and the transaction out of which it arose, comply with all applicable laws and regulations, the amount represented by Grantor to the Bank as owing by each account debtor is the amount actually owing and is not subject to setoff, credit, allowance or adjustment except any discount for prompt payment, nor has any account debtor returned the goods or disputed his liability, there has been no default according to the terms of any such Collateral, and no step has been taken to foreclose the security interest it evidences or to otherwise enforce its payment; (j) the execution and delivery of this Agreement and any instruments evidencing Liabilities will not violate nor constitute a breach of Grantor's Articles of Incorporation, By-Laws, Articles of Organization, Partnership Agreement, or any agreement or restriction of any type whatsoever to which Grantor is a party or is subject; (k) all financial statements and information relating to Grantor delivered or to be delivered by Grantor to the Bank are true and correct and prepared in accordance with generally accepted accounting principles, and there has been no material adverse change in the financial condition of Grantor since the submission of any such financial information to the Bank; (l) there are no actions or proceedings which are threatened or pending against Grantor which might result in any material adverse change in Grantor's financial condition or which might materially affect any of Grantor's assets; (m) Grantor has duly filed all federal, state, and other governmental tax returns which Grantor is required by law to file, and will continue to file same during such time as any of the Liabilities hereunder remain owing to the Bank, and all such taxes required to be paid have been paid, in full; and (n) Grantor's Patent Rights are subsisting, have not been adjudged invalid or unenforceable in whole or in part, and are not currently being challenged in any way; (o) Grantor's Patent Rights have not lapsed or expired; and (p) Grantor's Patent Rights are not the subject of a claim that their use constitute an infringement of any senior or dominant United States or foreign patent or other third party intellectual property right.

6. **Covenants.** Grantor covenants and agrees that while any of the Liabilities remain unperformed and unpaid it will: (a) preserve its legal existence and not, in one transaction or a series of related transactions, merge into or consolidate with any other entity, or sell all or substantially all of its assets; (b) not change the state where it is located; (c) neither change its name, form of business entity nor address of its chief executive office without giving written notice to the Bank thereof at least thirty (30) days prior to the effective date of such change, and Grantor agrees that all documents, instruments, and agreements demanded by the Bank in response to such change shall be prepared, filed, and recorded at Grantor's expense prior to the effective date of such change; (d) not use the Collateral, nor permit the Collateral to be used, for any unlawful purpose, whatever; (e) maintain the Collateral in first-class condition and repair; and (f) indemnify and hold the Bank harmless against claims of any persons or entities not a party to this Agreement concerning disputes arising over the Collateral.

7. **Insurance, Taxes, Etc.** Grantor has the risk of loss of the Collateral. Grantor shall: (a) pay promptly all taxes, levies, assessments, judgments, and charges of any kind upon or relating to the Collateral, to Grantor's business, and to Grantor's ownership or use of any of its assets, income, or gross receipts; (b) at its own expense, keep and maintain all of the Collateral fully insured against loss or damage by fire, theft, explosion and other risks in such amounts, with such companies, under such policies and in such form as shall be satisfactory to the Bank, which policies shall expressly provide that loss thereunder shall be payable to the Bank as its interest may appear (and the Bank shall have a security interest in the proceeds of such insurance and may apply any such proceeds which may be received by it toward payment of the Liabilities, whether or not due, in such order of application as the Bank may determine); and (c) maintain at its own expense public liability and property damage insurance in such amounts, with such companies, under such policies and in such form as shall be satisfactory to the Bank, and, upon the Bank's request, shall furnish the Bank with such policies and evidence of payment of premiums thereon. If Grantor at any time hereafter should fail to obtain or maintain any of the policies required above or pay any premium in whole or in part relating thereto, or shall fail to pay any such tax, assessment, levy, or charge or to discharge any such lien, claim, or encumbrance, then the Bank, without waiving or releasing any obligation or default of Grantor hereunder, may at any time hereafter (but shall be under no obligation to do so) make such payment or obtain such discharge or obtain and maintain such policies of insurance and pay such premiums, and take such action with respect thereto as the Bank deems advisable. All sums so disbursed by the Bank, including reasonable attorney fees, court costs, expenses, and other charges relating thereto, shall be part of the Liabilities, secured hereby, and payable upon demand together with interest at the highest rate payable in connection with any of the Liabilities from the date when advanced until paid.

8. **Collection of Accounts.** The Bank conditionally authorizes and permits Grantor to collect Accounts from debtors. This privilege may be terminated by the Bank at any time upon written notice from the Bank, and upon mailing such notice the Bank shall be entitled to and have all of the ownership, title, rights, securities and guarantees of Grantor in respect to Accounts, and in respect to the property evidenced thereby, including the right of stoppage in transit, and the Bank shall have the right to enforce the Grantor's rights against the account debtors and obligors. Thereafter Grantor will receive all payments on Account as agent of and for the Bank and will transmit to the Bank, on the day of receipt thereof, all original checks, drafts, acceptances, notes and other evidence of payment received in payment of or on account of Accounts, including all cash moneys similarly received by Grantor. Until such delivery, Grantor shall keep all such remittances separate and apart from Grantor's own funds, capable of identification as the property of the Bank, and shall hold the same in trust for the Bank. All items or accounts which are delivered by Grantor to the Bank on account of partial or full payment or otherwise as proceeds of any of the Collateral shall be deposited to the credit of a deposit account (herein called the "Collateral Deposit Account") of Grantor with the Bank, as security for payment of the Liabilities. Grantor shall have no right to withdraw any funds deposited in the Collateral Deposit Account. The Bank may from time to time, at its discretion, and shall upon request of Grantor made not more than once in a week, apply all or any of the then balance, representing collected funds in the Collateral Deposit Account, toward payment of the Liabilities, whether or not then due, in such order of application as the Bank may determine, and the Bank may, from time to time, in its discretion, release all or any of such balance to Grantor. Grantor, if in default in the performance of any of the provisions of this Agreement, upon demand, will open all mail only in the presence of a representative of the Bank, who may take therefrom any remittance on Accounts in which the Bank shall have a security interest. The Bank or its representatives is authorized to endorse, in the name of Grantor, any item howsoever received by the Bank, representing any payment on or other proceeds of any of the Collateral, and may endorse or sign the name of Grantor to Accounts, invoices, assignments, financing statements, notices to debtors, bills of lading, storage receipts, or other instruments or documents in respect to Accounts or the property covered thereby requested by the Bank. Grantor will promptly give the Bank copies of all Accounts, to be accompanied by such information and by such documents or copies thereof as the Bank may require. Grantor will maintain such records with respect to Accounts and the conduct and operation of its business as the Bank may request, and will furnish the Bank all information with respect to Accounts and the conduct and operation of its business, including balance sheets, operating statements and other financial information, as the Bank may request.

9. **Care, Custody, and Dealings with Collateral.** The Bank shall have no liability to Grantor with respect to the Bank's care and custody of any Collateral in the Bank's possession and shall have no duty to sell, surrender, collect or protect the same or to preserve rights against prior parties or to take any action with respect thereto beyond the custody thereof, exercising that reasonable custodial care which it would exercise in holding similar interests for its own account. The Bank shall only be liable for its acts of gross negligence. The Bank is hereby authorized and empowered to take the following steps, either prior or subsequent to default hereunder: (a) to deal directly with issuers, entities, owners, transfer agents and custodians to effect changes in the registered name of any such Collateral, to effect substitutions and replacements thereof necessitated by any reason (including by reason of recapitalization, merger, acquisition, debt restructuring or otherwise), to execute and deliver receipts therefor and to take possession thereof; (b) to communicate and deal directly with payors of instruments (including securities, promissory notes, letters of credit, certificates of deposits and other instruments), which may be payable to or for the benefit of Grantor at any time, with respect to the terms of payment thereof; (c) in the Grantor's name, to agree to any extension of payment, any substitution of Collateral or any other action or event with respect to the Collateral; (d) to notify parties who have an obligation to pay or deliver anything of value (including money or securities) with respect to the Collateral to pay or deliver the same directly to the Bank on behalf of Grantor and to receive and receipt for any such payment or delivery in Grantor's name as an addition to the Collateral; (e) to surrender renewable certificates or any other instruments or securities forming a portion of the Collateral which may permit or require reissuance, renewal or substitution at any time and to immediately take possession of and receive directly from the issuer, maker or other obligor, the substituted instrument or securities; (f) to exercise any right which Grantor may have with respect to any portion of the Collateral, including rights to seek and receive information with respect thereto; and (g) to do or perform any other act and to enjoy all other benefits with respect to the Collateral as Grantor could in its own name.

10. **Disposition of Collateral.** The Bank does not authorize, and Grantor agrees not to make any sales or leases of any of the Collateral, license any of the Collateral, or grant any other security interest in any of the Collateral; provided, however, that until such time as the Bank shall notify Grantor of the revocation of such power and authority, Grantor (a) may only in the ordinary course of its business, at its own expense, sell, lease or furnish under contracts of service any of the inventory normally held by Grantor for such purpose; (b) may use and consume any raw materials, work in process or materials, the use and consumption of which is necessary in order to carry on Grantor's business; and (c) will at its own expense, endeavor to collect, as and when due, all accounts due with respect to any of the Collateral, including the taking of such action with respect to such collection as the Bank may reasonably request or, in the absence of such request, as Grantor may deem advisable. A sale in the ordinary course of business does not include a transfer in partial or total satisfaction of a debt. To the extent Grantor uses any proceeds of any of the Liabilities to purchase Collateral, Grantor's repayment of the Liabilities shall apply on a "first-in-first-out" basis so that the portion of the Liabilities used to purchase a particular item of Collateral shall be deemed paid in the chronological order the Grantor purchased the Collateral.

11. **Information.** Grantor shall permit the Bank or its agents upon reasonable request to have access to, and to inspect, all the Collateral (and Grantor's other assets, if any) and may from time to time verify Accounts, inspect, check, make copies of, or extracts from the books, records, and files of Grantor, and Grantor will make same available at any time for such purposes. In addition, Grantor shall promptly supply the Bank with such other financial or other information concerning its affairs and assets as the Bank may request from time to time.

12. **Remedies Upon Default.** Immediately upon the occurrence of an event of default under any of the Liabilities or any default in the payment or performance of any of the covenants, conditions and agreements contained in this Agreement (an "Event of Default"), the Bank may, in addition to and not in lieu of or substitution for, all other rights and remedies provided by law, without notice, except as expressly required by law, declare the entire unpaid and outstanding principal balance of the Liabilities, and all accrued interest, together with all other indebtedness of the Grantor to the Bank, to be due and payable in full forthwith and the Bank may exercise from time to time any rights and remedies including the right to immediate possession of the Collateral available to it under applicable law. The Bank may directly contact third parties and enforce against them all rights which arise with respect to the Collateral and to which Grantor or the Bank would be entitled. Grantor waives any right it may have to

require the Bank to pursue any third person for any of the Liabilities. The Bank shall have the right to hold any property then in, upon or in any way affiliated to said Collateral at the time of repossession even though not covered by this Agreement until return is demanded in writing by the Grantor. Grantor agrees, upon the occurrence of an Event of Default, to assemble at its expense all the Collateral and make it available to the Bank at a convenient place acceptable to the Bank. Grantor agrees to pay all costs of the Bank of collection of the Liabilities, and enforcement of rights hereunder, including reasonable attorney fees and legal expenses, including participation in Bankruptcy proceedings, and expense of locating the Collateral and expenses of any repairs to any realty or other property to which any of the Collateral may be affixed or be a part. If any notification of intended disposition of any of the Collateral is required by law, such notification, if mailed, shall be deemed reasonably and properly given if sent at least ten (10) days before such disposition, postage pre-paid, addressed to the Grantor either at the address shown above or at any other address of the Grantor appearing on the records of the Bank and to such other parties as may be required by the Michigan Uniform Commercial Code. Grantor acknowledges that the Bank may be unable to effect a public sale of all or any portion of the Collateral because of certain legal and/or practical restrictions and provisions which may be applicable to the Collateral and, therefore, may be compelled to resort to one or more private sales to a restricted group of offerees and purchasers. Grantor consents to any such private sale so made even though at places and upon terms less favorable than if the Collateral were sold at public sale. The Bank shall have no obligation to clean-up or otherwise prepare the Collateral for sale. The Bank may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral. The Bank may specifically disclaim any warranties as to the Collateral. If the Bank sells any of the Collateral upon credit, Grantor will be credited only with payments actually made by the purchaser, received by the Bank and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, the Bank may resell the Collateral and the Grantor shall be credited with the proceeds of sale. The Bank shall have no obligation to marshal any assets in favor of the Grantor. Grantor waives the right to jury trial in any proceeding instituted with respect to the Collateral. Out of the net proceeds from sale or disposition of the Collateral, the Bank shall retain all the Liabilities then owing to it and the actual cost of collection (including reasonable attorney fees) and shall tender any excess to Grantor or its successors or assigns. If the Collateral shall be insufficient to pay the entire Liabilities, Grantor shall pay to the Bank the resulting deficiency upon demand. Grantor expressly waives any and all claims of any nature, kind or description which it has or may hereafter have against the Bank or its representatives, by reason of taking, selling or collecting any portion of the Collateral. Grantor consents to releases of the Collateral at any time (including prior to default) and to sales of the Collateral in groups, parcels or portions, or as an entirety, as the Bank shall deem appropriate. Grantor expressly absolves the Bank from any loss or decline in market value of any Collateral by reason of delay in the enforcement or assertion or nonenforcement of any rights or remedies under this Agreement. Grantor agrees that the Bank shall, upon the occurrence of an Event of Default, have the right to peacefully retake any of the Collateral. Grantor waives any right it may have in such instance to a judicial hearing prior to such retaking.

13. **General.** Time shall be deemed of the very essence of this Agreement. The Bank shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if it takes such action for that purpose as Grantor requests in writing, but failure of the Bank to comply with any such request shall not of itself be deemed a failure to exercise reasonable care, and failure of the Bank to preserve or protect any rights with respect to such Collateral against any prior parties or to do any act with respect to the preservation of such Collateral not so requested by Grantor shall not be deemed a failure to exercise reasonable care in the custody and preservation of such Collateral. This Agreement has been delivered in Michigan and shall be construed in accordance with the laws of the State of Michigan. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. The rights and privileges of the Bank hereunder shall inure to the benefit of its successors and assigns, and this Agreement shall be binding on all heirs, personal representatives, assigns and successors of Grantor and all persons who become bound as a debtor to this Agreement. Grantor hereby expressly authorizes and appoints the

Bank to act as its attorney-in-fact for the sole purpose of executing any and all financing statements or other documents deemed necessary to perfect the security interest herein contemplated.

14. **No Waiver.** Any delay on the part of the Bank in exercising any power, privilege or right hereunder, or under any other instrument executed by Grantor to the Bank in connection herewith shall not operate as a waiver thereof, and no single or partial exercise thereof, or the exercise of any other power, privilege or right shall preclude other or further exercise thereof, or the exercise of any other power, privilege or right. The waiver of the Bank of any default by Grantor shall not constitute a waiver of any subsequent defaults, but shall be restricted to the default so waived. All rights, remedies and powers of the Bank hereunder are irrevocable and cumulative, and not alternative or exclusive, and shall be in addition to all rights, remedies, and powers given hereunder or in or by any other instruments, or by the Michigan Uniform Commercial Code, or any laws now existing or hereafter enacted. The Grantor acknowledges that this is the entire agreement between the parties except to the extent that writings signed by the party to be charged are specifically incorporated herein by reference either in this Agreement or in such writings, and acknowledges receipt of a true and complete copy of this Agreement.

15. **Special Provisions/Additional Agreements.** With respect to the Collateral described in Section 3 a.1 hereof, and without limiting the generality of the other provisions hereof, the Grantor agrees as follows:

(a) **Indemnification.**

The Grantor agrees to indemnify, defend, and hold harmless Bank and its representatives from and against any and all suits, demands, liabilities, claims, actions, expenses, losses and damages of any kind or nature whatsoever, including costs of litigation and reasonable attorney's fees, arising from any third-party claim that the Intellectual Property violates any third party's trade secrets or infringes upon any third party's copyright, patent, trademark or similar proprietary right anywhere in the world. Grantor shall promptly notify Bank in writing of each such claim after Grantor learns of it. Grantor shall be allowed to control the defense and settlement of such claim; provided that Bank can be represented by counsel of its choice at its own expense; and provided further, that without Bank's prior written consent, Grantor shall not enter into, and Bank shall not be bound by, any settlement that would involve a remedy other than money damages payable by Grantor.

(b) **Product Liability Insurance.**

The Grantor agrees that it will obtain, at its own expense, product liability insurance from a recognized insurance company providing adequate protection (in an amount determined from time to time by Lender) for the Lender and the Grantor, against any claims, suits, losses or damages arising out of any alleged defects in the Products. Grantor shall be entitled to a copy of then prevailing certificate of insurance required by the preceding sentence.

(c) **Quality Control.**

Grantor shall maintain the quality of the Products produced and sold by it at a quality standard for good and merchantable Products and in compliance with Good Manufacturing Practices and in accordance with any Governmental Regulation. Lender shall have the right at reasonable times during the term of this Agreement, and any extension or renewal thereof, to inspect products produced by Grantor and should any such Product or Products not meet the standard of quality. Should Grantor receive notice from any Issuer that any Product is not, or may not be, in conformity with any Governmental Regulation, Grantor will so notify Bank in writing within three days of receipt thereof and Grantor shall not sell such Product or Products and shall notify Lender of what action it proposes to take.

(d) Records.

Grantor shall maintain accurate records and accounts of all transactions sufficient for verification, which involve Products, and which may be necessary to conduct any recall. Lender shall have reasonable access at reasonable times to Grantor's books and records to the extent necessary to verify all the foregoing and Lender shall be entitled to make copies thereof at Grantor's expense.

(e) Preservation of Intellectual Property.

1. Grantor shall prosecute diligently any patent application included in the Patent Rights; and make application on unpatented but patentable inventions, as appropriate, giving due consideration to value, importance, cost and opinion of counsel as to patentability; and preserve, maintain and enforce against infringement of all Patent Rights. Any expenses incurred in connection with such applications shall be borne by Grantor. Grantor shall not abandon any patent or patent application included in the Patent Rights without the written consent of Bank. Grantor shall notify Bank in writing within five days of learning of any potential infringement of the Patent Rights.

2. Grantor shall register all additions to copyrights, including derivative or collective works; employ copyright notices in compliance with applicable legal requirements or as permitted to maximize the protection and enforcement of the copyrights; use its best efforts to uncover any infringement of the copyrights and forthwith advise Bank in writing of any such infringement so discovered within five days of learning of such infringement; and prosecute any material infringement of the copyrights forthwith.

3. Grantor shall register and maintain the registration of all trademarks; employ trademark notices in compliance with applicable legal requirements or as permitted to maximize the protection and enforcement of the trademarks; use its best efforts to uncover any infringements of the trademarks and forthwith advise Bank in writing of any infringement so discovered within five days of learning of such infringement; and prosecute any infringement of the trademarks forthwith.

4. Grantor shall diligently institute and prosecute litigation to enjoin infringers, or any unauthorized use, of any of the Intellectual Property covered by this Agreement and shall notify Bank within five days of learning of the potential infringement or unauthorized use. If Grantor fails to institute such proceedings or gives Bank notice that Grantor does not intend to act, Bank may institute such proceedings in Grantor's name or on its own behalf and, if necessary or appropriate, proceed in the name of Grantor, at Grantor's own cost and expense.

5. Grantor shall not enter into any Third party Agreement or other agreement, either oral or written, that is inconsistent with Grantor's obligations under this Security Agreement or take any action, or permit any action to be taken by others subject to its control (including licensees) or fail to take any action if doing so or not doing so would impair the validity or enforcement of the Bank's rights in and to the Intellectual Property. Grantor shall notify Bank in writing within 5 days of learning of any action or inaction on the part of any third party that would impair the validity or enforcement of Bank's rights in and to the Intellectual Property.

6. Grantor shall not grant to any other Person, by license, sublicense, assignment or otherwise, any rights in and to any of the Intellectual Property, unless consented thereto in writing by Bank, and upon such terms and conditions as Bank may require.

7. Grantor shall obtain a Confidentiality Agreement from each person or entity including, without limitation, each employee or contractor, who has or may have any access to, or interest in, any Intellectual Property.

8. Grantor shall diligently institute and prosecute litigation to enforce the terms and conditions of any Third Party Agreement in order to prevent use in contravention with the terms of a Third Party Agreement and shall notify Bank in writing within five days of learning of such unauthorized use. If Grantor fails to institute such proceedings or gives Bank notice that Grantor does not intend to act, Bank may institute such proceedings in Grantor's name or on its own behalf and, if necessary or appropriate, proceed in the name of Grantor, at Grantor's own cost and expense.

If Grantor fails to comply with the foregoing, Bank may do so in Grantor's name, or in Bank's name but at Grantor's expense, and Grantor shall reimburse Bank for all expenses, including reasonable attorney's fees, incurred by Bank in protecting, defending and maintaining the Intellectual Property. All recoveries from such proceedings shall be retained by Bank. In addition, Grantor hereby authorizes and empowers Bank to invoke and claim for any applications or patents included within the Patent Rights, the benefit of any rights to which Grantor might be entitled under international law or under the laws of any particular country, such as, without limitation, the right of priority provided under the International Convention for the Protection of Industrial Property, as amended, and to invoke and claim such rights without further written or oral authorization from Grantor.

(f) **Additional Remedies in the Event of Default.**

Upon an Event of Default, Grantor shall deliver, and Bank shall be deemed the sole and exclusive owner of, the Intellectual Property, and Grantor shall cease and desist, at the request of Bank, in order to protect the rights of Bank, from using any Intellectual Property, or deriving any benefit therefrom.

After the occurrence of an Event of Default and so long as such Event of Default has not been waived, and after the provision by Bank of written notice to Grantor of Bank's intention to enforce its rights and claims in the Intellectual Property, Bank shall have the right, but shall in no way be obligated, to:

1. bring suit and take other action in its own name to enforce or otherwise protect, preserve or realize upon the Intellectual Property. If Bank shall commence any such suit or take any such action, Grantor shall at the request of Bank, do any and all lawful acts and execute any and all proper documents required by Bank in aid of such action. Grantor shall, upon demand, reimburse and indemnify Bank for all costs and expenses incurred by Bank in the exercise of its rights hereunder;
2. To endorse Grantor's name on all applications, documents, papers and instruments necessary or desirable for Bank to give effect to the provisions of this Security Agreement and the intent of the parties hereto;


3. Take any other actions with respect to the Intellectual Property consistent with this Security Agreement that Bank deems in the best interest of Bank;
4. Grant or issue any exclusive or nonexclusive license of the Intellectual Property to anyone; or
5. Assign, pledge, convey or otherwise transfer title in or dispose of the Intellectual Property to anyone.

IN WITNESS WHEREOF, this Security Agreement was executed and delivered by the undersigned on the date stated in the first paragraph above.

Grantor:

Ash Stevens Inc., a Michigan corporation

By: _____


Stephen A. Munk
Its: President