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02-22-1999



100969975

Atty. Docket No.

89216.001

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Commissioner of Patents and Trademarks  
Box: Security Agreement  
Washington, D.C. 20231

**RECORDATION FORM COVER SHEET**  
**TRADEMARKS ONLY**

Dear Sir:

Please record the attached original document(s) or copy(ies):

Security Agreement

1. Submission Type:

- New
- Resubmission (Non-Recordation) - Document ID # \_\_\_\_\_
- Correction of PTO Error - Reel # \_\_\_\_\_ Frame # \_\_\_\_\_
- Corrective Document - Reel # \_\_\_\_\_ Frame # \_\_\_\_\_

2. Nature of conveyance:

- Assignment
- Nunc Pro Tunc Assignment
- License
- Security Agreement
- Merger
- Change of Name
- Other \_\_\_\_\_

Effective Date: February 4, 1999

02/19/1999 JSHABAZZ 00000094 890563

01 FC:481 40.00 OP

02 FC:482 50.00 OP

Attorney Docket No. :  
Applicant :  
Serial No. :

3. Conveying Party

Name: Aspen Surgical Products, Inc.

Formerly: \_\_\_\_\_

Execution Date: February 4, 1999

Individual       General Partnership       Limited Partnership  
 Corporation       Association       Other \_\_\_\_\_

Citizen/State of Incorporation/ Organization Michigan

4. Receiving Party:

Name: LaSalle National Bank

DBA/AKA/TA: \_\_\_\_\_

Composed of: \_\_\_\_\_

Address (line 1): 135 South LaSalle Street

Address (line 2): \_\_\_\_\_

City, State, Zip Code: Chicago, IL

Individual       General Partnership       Limited Partnership  
 Corporation       Association       Other National Banking Association

If document is to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached.  
*(Designation must be a separate document from Assignment)*

Citizen/State of Incorporation/Organization Delaware

Attorney Docket No. :  
Applicant :  
Serial No. :

5. Domestic Representative Name and Address (Enter for the first Receiving Party only.)

Name: \_\_\_\_\_  
Address (line 1): \_\_\_\_\_  
Address (line 2): \_\_\_\_\_  
Address (line 3): \_\_\_\_\_  
Address (line 4): \_\_\_\_\_

6. Correspondent Name and Address:

Area Code and Telephone Number: 616.831.1770

Barry C. Kane  
800 Calder Plaza Building  
250 Monroe Avenue, N.W.  
P.O. Box 306  
Grand Rapids, Michigan 49501-0306

7. Total number of pages: **13** *(includes the conveyance and any attachments)*

8. Trademark Application Number(s) or Registration Number(s):

890,563  
1,485,173  
1,730,491

Attorney Docket No. :  
Applicant :  
Serial No. :

9. Total number of properties involved: 3

10. Total Fee Amount for the Properties Listed(37 C.F.R. § 3.41) \$40.00 + \$25.00  
+ \$25.00 = \$90.00

Enclosed  
 Charge Deposit Account No. 50.0223

Commissioner is hereby authorized to charge any additional fees or any overpayments that may be required to Deposit Account No. 50-0223.

11. 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. Charges to deposit account are authorized, as indicated herein.*

Dated: February 9, 1999

By: 

Barry C. Kane  
Reg. No. 32.036

# SECURITY AGREEMENT

**THIS SECURITY AGREEMENT** is made as of this 4th day of February, 1999, by ASPEN SURGICAL PRODUCTS, INC., a Michigan corporation, with a mailing address of P.O. Box 9404, Wyoming, Michigan 49509-0404 (the "Debtor"), in favor of LASALLE NATIONAL BANK, a national banking association, of 135 South LaSalle Street, Chicago, Illinois 60603 (the "Secured Party").

## ARTICLE 1 GRANT OF SECURITY INTEREST

1.1 Collateral. For value received, the Debtor grants the Secured Party a security interest in all of the following which are hereinafter referred to collectively as the "Collateral":

(a) Inventory. All of the Debtor's goods, inventories, raw materials, goods in process, merchandise, supplies, and other tangible personal property now owned or hereafter acquired by the Debtor; all additions and accessions thereto, whether now or hereafter owned, acquired by, or belonging to the Debtor; and all proceeds of any of the foregoing (collectively, the "Inventory"); and

(b) Receivables and General Intangibles. All accounts, contracts, general intangibles and notes receivable; all other contract rights, including all rights of the Debtor under all franchise, licensing, and distributorship agreements to which the Debtor is a party, and leasehold rights, whether such contract rights or leasehold rights relate to an interest in real property or personal property; and all drafts, acceptances, instruments, documents of title, policies and certificates of insurance, securities, chattel paper, cash, intellectual property rights, licenses, patents, trademarks, and proprietary rights, and any and all other forms of intangible rights or obligations receivable by the Debtor and all proceeds of any of the foregoing, whether now or hereafter owned, acquired by, or belonging to the Debtor and including, without limitation, the registered and unregistered trademarks and tradenames and trade secrets shown on Exhibit C attached hereto (collectively, the "Receivables"); and

(c) Equipment. All goods, machinery, and equipment, including all automobiles, trucks, and other motor vehicles, appliances, fixtures, trade fixtures, furnishings, furniture, and improvements to real estate, together with all increases, parts, fittings, accessories, and replacements of all or any part thereof, and all proceeds of any of the foregoing whether now or hereafter owned, acquired by, or belonging to the Debtor (collectively, the "Equipment").

1.2 Indebtedness Secured. This security interest is granted to secure payment of all indebtedness, and performance of all obligations, of the Debtor now or hereafter owing to the Secured Party, including, without limitation, indebtedness in the aggregate maximum principal amount of \$4,250,000 with respect to the "Loans," as defined in the certain Loan Agreement made by and between the Debtor and the Secured Party dated as of even date herewith (the "Loan Agreement"), any and all obligations of the Debtor to the Secured Party under any swap agreements now or hereafter in effect with respect to either of the "Loans," as defined in the Loan Agreement, and all obligations of the Debtor under this Agreement (collectively, the "Indebtedness").

## **ARTICLE 2 REPRESENTATIONS AND WARRANTIES**

The Debtor represents and warrants to the Secured Party as follows:

2.1 Organization; Authorization; Binding Obligation. The Debtor is a corporation duly organized and existing under the laws of the Michigan. The execution, delivery, and performance of this Agreement are within the Debtor's powers, have been duly authorized, and are not in contravention of its articles of incorporation or bylaws, or of any indenture, agreement, or undertaking to which it is a party or by which it is bound, or of any law, governmental rule, judgment, or order binding on the Debtor; and this Agreement constitutes the valid and binding obligation of the Debtor, enforceable in accordance with its terms, except to the extent enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforceability of creditors' rights generally or limiting the right of specific performance.

2.2 Financial and Other Data. All financial statements and other information heretofore or hereafter furnished by the Debtor to the Secured Party are and shall be in all material respects complete, true, and correct.

2.3 Ownership; No Other Liens. The Debtor is the owner of the Collateral; other than the "Permitted Liens," as defined in Section 3.1 below, there is no other lien, security interest, or encumbrance on any of the Collateral; and no financing statement is now on file in any public office covering any of the Collateral, except in favor of the Secured Party other than as shown on Exhibit B attached hereto.

2.4 Location of Business and Collateral; Identification Number. The Debtor's principal place of business is located at 7425 Clyde Park, S.W, Byron Center, MI 49315. The tangible items of Collateral covered by this Agreement are situated on property which is owned or leased by the Debtor (other than as described on Exhibit A attached hereto) and which is located at one of the addresses set forth on Exhibit A attached hereto. The Debtor's Federal Employer Identification Number is 38-3448946.

2.5 Continuing Security Interest. The Debtor represents that it intends and understands that the security interest in the Collateral granted hereby shall be a continuing security interest to secure payment of all Indebtedness, whether now existing or which may hereafter be incurred by future advances or otherwise, and whether or not such Indebtedness is related to any transaction described in this Agreement, by class or kind, or whether or not contemplated by the parties as of the date hereof. Notice of the continuing nature of this security interest shall not be required to be stated on the face of any document representing any such Indebtedness, nor need such Indebtedness otherwise be identified as being secured hereby.

### **ARTICLE 3**

#### **COVENANTS, AGREEMENTS, AND RIGHTS OF PARTIES**

3.1 Restrictions upon the Disposition of Collateral. Notwithstanding that the Secured Party is granted a security interest in the proceeds of the Collateral, the Debtor shall not sell, assign, or transfer any of the Collateral or cause or permit any other lien, security interest, or encumbrance to be placed on any of the Collateral except as set forth on Exhibit B (the liens and interests described on Exhibit B are referred to as the "Permitted Liens"). Notwithstanding the foregoing, until such time as the Secured Party shall notify the Debtor of the revocation of such power and authority, the Debtor:

(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 the Debtor for such purpose;

(b) may use and consume any raw materials, work in process, or other materials, the use and consumption of which is necessary in order to carry on the Debtor's business; and

(c) will, at its own expense, endeavor to collect, as and when due, all amounts due with respect to any of the Collateral, including the taking of such action with respect to such collection as the Secured Party may reasonably request or, in the absence of such request, as the Debtor may deem advisable.

A sale in the ordinary course of business does not include a transfer in partial or total satisfaction of a debt. Upon receiving written notice from the Secured Party to do so, the Debtor will forthwith assign, endorse, and deliver to the Secured Party, in the form received, all proceeds, including cash, checks, drafts, accounts receivable, contract rights, leases, notes, and other obligations arising from the sale, lease, or other disposition of the Inventory. During the continuation of an "Event of Default" (as defined below) the Secured Party may notify the obligors on any of such proceeds of such assignment to the Secured Party and it shall have full power and authority to collect, endorse, compromise, sell, or otherwise deal with such proceeds in its own name, or in the name of the Debtor. Such proceeds may be applied forthwith by the Secured Party to the payment of the Indebtedness secured hereby as the Secured Party may determine.

3.2 Obsolete Equipment. Notwithstanding anything herein to the contrary, the Debtor may sell or otherwise dispose of any obsolete Equipment while any Indebtedness is outstanding; provided that (a) the same shall be promptly replaced with Equipment of equal or greater value and that it shall be owned by the Debtor unencumbered except for the lien of the Secured Party pursuant to this Agreement or Permitted Liens; or (b) all of the proceeds of such Equipment (net only of reasonable and customary costs of sale, not including commissions) shall be remitted to the Secured Party for application to the Indebtedness.

3.3 Condition of the Collateral; Insurance. The Debtor shall maintain the Inventory and Equipment in good condition and repair and shall cause the same to be continuously insured in an amount equal to the full insurable value thereof for the benefit of the Secured Party and the Debtor as their interests may appear. Such insurance shall name the Secured Party as mortgagee and lender loss payee and shall not be subject to cancellation or reduction in coverage without thirty (30) days prior written notice to the Secured Party. The Debtor shall deposit with the Secured Party duplicate insurance policies or a certificate of insurance evidencing compliance with the requirements of this Paragraph 3.3. The Secured Party is



hereby authorized, but not obligated, to act as agent for the Debtor in obtaining, adjusting, settling, and canceling such insurance and endorsing any draft.

3.4 Taxes; Use. The Debtor shall pay promptly when due all taxes and assessments upon the Collateral or for its use or operation, except only for taxes or assessments which are being contested in good faith and for which adequate reserves are maintained by the Debtor. The Debtor shall not use the Collateral unlawfully or improperly.

3.5 Secured Party's Rights to Perform. The Secured Party may, but shall have no obligation to: discharge taxes, liens, security interests, or other encumbrances at any time levied or placed upon the Collateral; pay for the maintenance and preservation of the Collateral; obtain and/or pay for insurance on the Collateral; and cause to be performed for and in behalf of the Debtor any obligations of the Debtor hereunder which the Debtor has failed or refused to perform. The Debtor shall reimburse the Secured Party upon demand for all payments made and all expenses incurred by the Secured Party pursuant to this Paragraph 3.5, with interest, from the date paid or incurred by the Secured Party, at the highest rate applicable to any portion of the Indebtedness.

3.6 Removal. Other than as described on Exhibit A, the Debtor agrees not to remove any of the Inventory or Equipment from their present locations without the Secured Party's written consent, except as permitted by the terms of Paragraph 3.1, with respect to the Inventory, and by the terms of Paragraph 3.2, with respect to the Equipment.

3.7 Change in Name or Place of Business. The Debtor agrees to advise the Secured Party in writing of any change in the name or names used by the Debtor or any change in the Debtor's principal or other places of business.

3.8 Records and Reports; Inspection. The Debtor shall maintain all records concerning the Collateral and any proceeds thereof at its principal place of business, or at such other address as may be consented to by the Secured Party in writing, in such manner as will enable the Secured Party at any time to determine the status of the Collateral. The Debtor shall make reports to the Secured Party at such times and in such form as the Secured Party shall designate, containing such information with respect to the Collateral as the Secured Party may reasonably require, and the Secured Party may at all reasonable times inspect the Collateral. The Debtor further agrees to allow the Secured Party or any of its officers, agents, attorneys, or accountants to examine, inspect, or make extracts from the Debtor's books and records upon reasonable request, and to arrange for verification of Receivables, under reasonable procedures, directly with account debtors or by other means.

3.9 Debtor's Obligations and Secured Party's Rights as to Receivables. Unless and until the Secured Party shall give notice to the Debtor to the contrary (which notice shall be deemed to have been given during all times that a lock-box arrangement with respect to Receivables shall be in effect between the Secured Party and the Debtor), the Debtor shall be entitled to collect Receivables from account debtors. This privilege may be terminated by the Secured Party at any time and the Debtor shall execute such assignments so as to vest in the Secured Party full title to the Receivables. The Secured Party thereupon shall be entitled to and have all of the ownership, title, rights, securities, and guarantees of the Debtor in respect thereto, and in respect to the property evidenced thereby, including the right of stoppage in transit, and the Secured Party may notify any debtor or debtors of the assignment of Receivables and collect the same.

Upon the Secured Party's request, the Debtor will promptly give the Secured Party copies of all Receivables, to be accompanied by such information and by such documents or copies thereof as the Secured Party may require. The Debtor will maintain such records with respect to the Receivables and the conduct and operation of its business as the Secured Party may request and will furnish the Secured Party all information with respect to Receivables and the conduct and operation of its business, including balance sheets, operating statements, Receivables aging schedules, and other financial information as the Secured Party may request.

#### **ARTICLE 4 EVENTS OF DEFAULT**

The occurrence of an "Event of Default," as defined in the Loan Agreement, shall constitute an Event of Default under this Agreement.

#### **ARTICLE 5 REMEDIES UPON DEFAULT**

5.1 Remedies Generally. Upon the occurrence of an Event of Default, the Secured Party shall have all the rights and remedies of a secured party under the Michigan Uniform Commercial Code and any other applicable laws, together with all rights and remedies provided for in Article 3 hereof. In addition thereto, upon the occurrence of an Event of Default, the Secured Party may require the Debtor to assemble the Collateral and any proceeds thereof and deliver same to the Secured Party at a place to be designated by the Secured Party which is reasonably convenient to both parties, and the Debtor agrees that the

Secured Party shall have the right to peacefully retake any of the Collateral without judicial hearing prior to such retaking, including the right to enter upon the Debtor's premises for such purpose. All rights and remedies of the Secured Party shall be cumulative and may be exercised from time to time.

5.2 Disposition of Collateral; Deficiency. The Secured Party may dispose of the Collateral and proceeds in any commercially reasonable manner and the Debtor shall be liable for any deficiency.

5.3 Rights as to Receivables Following Default. In addition to any other remedies provided herein, upon the occurrence of an Event of Default and until payment in full of the Indebtedness, or upon such other circumstances as provided in the Loan Agreement, the Secured Party shall be authorized and entitled to do in its own name, or in the name of the Debtor, but at the Debtor's expense, all things with reference to the Receivables and proceeds that the Debtor might have done, including the right to collect, sue for, and receipt for the payment of all moneys due or to become due thereon; endorse in the name of the Debtor any checks, drafts, orders, notes, or other instruments payable to the Debtor which the Secured Party may receive in connection with any of the Receivables; and settle, adjust, and compromise all present and future claims arising out of any of the Receivables. In furtherance of the foregoing, the Debtor hereby:

(a) authorizes all persons now or hereafter obligated to the Debtor for the payment of money to make payment thereof directly to the Secured Party;

(b) agrees to receive all payments on the Receivables as agent of and for the Secured Party and to transmit to the Secured Party, on the day of receipt thereof, all original checks, acceptances, notes, and other evidences of payment received in payment of or on account of Receivables, including all monies similarly received by the Debtor; and

(c) agrees to open all mail only in the presence of a representative of the Secured Party, who may take therefrom any remittance on Receivables assigned to the Secured Party.

It is expressly agreed and understood, however, that the Secured Party assumes no obligations of the Debtor to third parties with respect to the Receivables and shall not be required or obligated in any manner to make any demand or inquiry as to the nature or sufficiency of any payment received by the Secured Party or to present or file any claim or

take any other action to collect or enforce the payment of any amounts to which the Secured Party may become entitled hereunder.

5.4 Payment of Expenses. The Debtor shall pay the Secured Party on demand all expenses, including reasonable attorneys' fees and legal expenses paid or incurred by the Secured Party in protecting and enforcing the rights of and obligations to the Secured Party under any provision of this Agreement, including its right to take possession of the Collateral and proceeds thereof from the custody of the Debtor or any trustee or receiver in bankruptcy or any other person. All such expenses shall become part of the Indebtedness and shall bear interest from the date paid or incurred by the Secured Party at the highest rate applicable to any of the Indebtedness.

5.5 Notice of Sale. Any notice required to be given by the Secured Party to the Debtor with respect to the sale or other disposition of the Collateral shall be deemed reasonable if mailed, in the manner set forth in Paragraph 6.2 below, at least seven (7) days before the time of such sale or other disposition.

5.6 Application to Indebtedness. The Secured Party may apply the proceeds of any sale or other disposition of the Collateral, and any proceeds thereof, to the full or partial satisfaction of the Indebtedness, in such manner and in such amounts and proportions as the Secured Party in its sole discretion shall determine.

## **ARTICLE 6 MISCELLANEOUS**

6.1 Financing Statements. At the request of the Secured Party, the Debtor shall join with the Secured Party in executing one or more financing statements and continuation statements, in form satisfactory to the Secured Party, and shall pay the cost of filing the same in all public offices, wherever filing is deemed by the Secured Party to be necessary or desirable. Notwithstanding the foregoing, the Debtor appoints and constitutes the Secured Party its agent and attorney-in-fact to execute on behalf of the Debtor any such financing or continuation statements during the continuation of an Event of Default.

6.2 Manner of Notice. All notices to the Debtor and the Secured Party shall be deemed to be effectively given when sent by first class mail, postage prepaid, to the addresses set forth above, or to such other addresses as the parties may designate by notice as provided in this Paragraph 6.2.

6.3 No Waiver. No delay on the part of the Secured Party in the exercise of any right or remedy shall operate as a waiver thereof and no single or partial exercise by the Secured Party of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.

6.4 Definitions; Applicable Law. All terms used herein, unless otherwise defined or the context otherwise requires, shall have the meanings given to them by the Michigan Uniform Commercial Code, which, together with other applicable laws of the State of Michigan, shall govern this Agreement and the interpretation thereof.

6.5 Captions. The captions to the various Paragraphs hereof have been inserted for convenience only and shall not be deemed a part of this Agreement.

6.6 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Debtor and the Secured Party and their respective successors and assigns.

6.7 Entire Agreement; Amendment. This Agreement sets forth the entire agreement of the parties as to the subject matter hereof and may not be amended except in writing and executed by the parties hereto.

6.8 Severability. In the event any provision hereof is in conflict with any statute or rule of law in the State of Michigan or is otherwise unenforceable for any reason whatsoever, then such provision shall be deemed severable from or enforceable to the maximum extent permitted by law, as the case may be, and the same shall not invalidate any other provisions hereof.

6.9 Incorporation by Reference. The terms and conditions of the Loan Agreement are incorporated herein by reference. In the event of any conflict in the terms of this Agreement and the terms of the Loan Agreement, the terms of the Loan Agreement shall control.

**IN WITNESS WHEREOF**, the Debtor has executed this Security Agreement as of the day and year first above written.

**DEBTOR:**

ASPEN SURGICAL PRODUCTS, INC.

By  \_\_\_\_\_

Daniel J. Bowen  
President

## **EXHIBIT A**

### **Locations of the Tangible Collateral**

7425 Clyde Park, S.W, Byron Center, Michigan 49315

As of the date of this Security Agreement, certain of the Debtor's Inventory and Equipment are located at 8850 M89, Richland, Michigan 49083 or at 4475 Dickman, Battle Creek, Michigan 49015 at facilities owned by Imagyn Medical Technologies, Inc. ("Imagyn"). As part of the Debtor's acquisition of certain assets from Imagyn, Imagyn is assisting the Debtor in transitioning the Debtor's business from Imagyn to the Debtor and, in connection therewith, will be moving said Inventory and Equipment from the Imagyn facilities to the Byron Center address shown above, which is a facility leased by the Debtor. The Debtor expects that all such assets will be relocated to its Byron Center address by May 1, 1999.

## **EXHIBIT B**

### **Permitted Liens**

"Permitted Liens" shall mean:

- (a) Liens and encumbrances in favor of the Bank;
- (b) Liens and encumbrances in favor of The Capital Fund, Inc., which liens have been fully subordinated to the Bank's liens;
- (c) Liens and encumbrances in favor of Imagyn Medical Technologies California, Inc., which liens have been fully subordinated to the Bank's liens and which secure indebtedness incurred by the Debtor pursuant to the Asset Purchase Agreement (as defined in the Loan Agreement);
- (d) Liens for taxes, assessments or other governmental charges incurred in the ordinary course of business and not yet past due or which are being contested by the Debtor in good faith and for which adequate reserves have been established;
- (e) Liens created by statute in connection with the Debtor's worker's compensation, unemployment insurance, social security and similar statutory obligations to the extent that such obligations are not delinquent;
- (f) Liens of mechanics, materialmen, carriers, warehousemen or other similar statutory or common-law liens to the extent that the same secure obligations incurred by the Debtor in the ordinary course of business and which are not yet due and payable;
- (g) Purchase money security interests in personal property or lessors' interests under capital leases of personal property, granted to secure the purchase or lease price of said property, to the extent permitted under the terms of the Loan Agreement.



# EXHIBIT C

## Trademarks, Tradenames and Trade Secrets

### *United States Registered Trademarks:*

<u>Mark</u>	<u>Registration No.</u>	<u>Ref.</u>
Dr. Fog	1,730,491	832
Dispos-A-Pak	890,563	622
MicroHone	1,485,173	621

### *Unregistered Trademark:*

Dispos-A-Ture

### *Trade Secrets:*

MicroHone process