

02-28-2001

FORM PTO-1618A  
Expires 06/30/99  
OMB 0651-0027



U.S. Department of Commerce  
Patent and Trademark Office  
TRADEMARK

101623181

### RECORDATION FORM COVER SHEET TRADEMARKS ONLY

TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

<b>Submission Type</b> 2-30-01		<b>Conveyance Type</b>	
<input checked="" type="checkbox"/> New	<input type="checkbox"/> Resubmission (Non-Recordation)	<input type="checkbox"/> Assignment	<input type="checkbox"/> License
Document ID # <input type="text"/>		<input checked="" type="checkbox"/> Security Agreement	<input type="checkbox"/> Nunc Pro Tunc Assignment
<input type="checkbox"/> Correction of PTO Error		<input type="checkbox"/> Merger	Effective Date Month Day Year <input type="text"/>
Reel # <input type="text"/> Frame # <input type="text"/>		<input type="checkbox"/> Change of Name	
<input type="checkbox"/> Corrective Document		<input type="checkbox"/> Other <input type="text"/>	
Reel # <input type="text"/> Frame # <input type="text"/>			

**Conveying Party**  Mark if additional names of conveying parties attached

Name  Execution Date  
Month Day Year

Formerly

Individual  General Partnership  Limited Partnership  Corporation  Association

Other

Citizenship/State of Incorporation/Organization

**Receiving Party**  Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)     
City State/Country Zip Code

Individual  General Partnership  Limited Partnership  Corporation  Association

Other

Citizenship/State of Incorporation/Organization

If document 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.)

FOR OFFICE USE ONLY

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Public burden reporting for this collection of information is estimated to average approximately 30 minutes per Cover Sheet to be recorded, including time for reviewing the document and gathering the data needed to complete the Cover Sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Chief Information Officer, Washington, D.C. 20231 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (0651-0027), Washington, D.C. 20503. See OMB Information Collection Budget Package 0651-0027, Patent and Trademark Assignment Practice. DO NOT SEND REQUESTS TO RECORD ASSIGNMENT DOCUMENTS TO THIS ADDRESS.

Mail documents to be recorded with required cover sheet(s) information to:  
Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20231

TRADEMARK  
REEL: 002242 FRAME: 0001

**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)

**Correspondent Name and Address**

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

**Pages** Enter the total number of pages of the attached conveyance document including any attachments. #

**Trademark Application Number(s) or Registration Number(s)**

Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)			Registration Number(s)		
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="1,985,482"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

**Number of Properties** Enter the total number of properties involved. #

**Fee Amount** Fee Amount for Properties Listed (37 CFR 3.41): \$

Method of Payment: Enclosed  Deposit Account

Deposit Account (Enter for payment by deposit account or if additional fees can be charged to the account.) #

Deposit Account Number:

Authorization to charge additional fees: Yes  No

**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.

Laura M. Godzak            2/14/01  
Name of Person Signing      Signature      Date Signed

**SECURITY AGREEMENT**  
(Patents and/or Trademarks)

THIS AGREEMENT is made on 1/25/01 by and between William T. Downs, III ("Debtor"), whose address is 642 East Nine Mile Road, Ferndale, Michigan 48220, and Standard Federal Bank, a federal savings bank ("Standard Federal"), whose address is 2600 West Big Beaver Road, Troy, Michigan 48084.

RECITALS:

A. Mongolian Management and Investment Company, L.L.C., a Michigan limited liability company ("Borrower"), may from time to time request loans, advances or other financial accommodations from Standard Federal to be secured as herein provided.

B. Standard Federal may, in its discretion, honor such requests in whole or part.

NOW, THEREFORE, in consideration of the Recitals and the covenants and agreements herein contained, the Debtor hereby agrees as follows:

1. **Grant of Security Interest.** Debtor hereby grants to Standard Federal a continuing security interest in, and conveys, transfers, sets over and assigns to Standard Federal, all of Debtor's right, title and interest in and to the property and interests in property described below (hereinafter referred to as the "Collateral") to secure the payment of all loans and advances including any renewals or extensions thereof from Standard Federal to Borrower and all obligations of any and every kind and nature heretofore, now or hereafter owing from Borrower to Standard Federal, however incurred or evidenced, whether primary, secondary, contingent or otherwise, whether arising under this Agreement, under any other security agreement(s), promissory note(s), guarantee(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 Borrower and delivered to Standard Federal, 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 Standard Federal in the disbursement, administration or collection of such obligations and in the protection, maintenance and liquidation of the Collateral (hereinafter collectively called "Liabilities").

2. **Collateral.** The Collateral covered by this Agreement is all the Debtor's right, title and interest in and to the property described below, which it now owns or shall hereafter acquire or create immediately upon the acquisition or creation thereof:

a. The following trademarks:

<u>Country</u>	<u>Trademark</u>	<u>Registration Number</u>	<u>Filing Date</u>
USA	BD's Mongolian Barbeque	1,985,482	07/09/1996

b. All of the Debtor's rights under each trademark referred to above and the proceeds of disposition thereof, and all of the goodwill of the business connected with the use of, and symbolized by, each trademark.

c. All proceeds (whether cash proceeds or noncash proceeds) and products of the Collateral, including without limitation, any claim by Debtor against third parties for past, present or future infringement or dilution of any trademark or for injury to the goodwill associated with any trademark.

d. All general intangibles consisting of, arising from or pertaining to the trademarks listed above.

3. **Perfection of Security Interest.** Debtor shall execute and deliver to Standard Federal concurrently with Debtor's execution of this Agreement and at any time or times hereafter at the request of Standard Federal and pay the cost of filing or recording same in all public offices deemed necessary by Standard Federal, all financing statements, continuation financing statements, assignments, certificates of title, affidavits, reports, notices, letters of authority and all other documents that Standard Federal may reasonably request in form satisfactory to Standard Federal to perfect and maintain Standard Federal's security interests in the Collateral. In order to fully consummate all of the transactions contemplated hereunder, Debtor shall make appropriate entries on its books and records disclosing Standard Federal's security interests in the Collateral.

4. **Warranties.** Debtor warrants and agrees that while any of the Liabilities remain unperformed and unpaid: (a) except as may be otherwise disclosed in this Agreement, Debtor is the owner of the Collateral free and clear of all liens or security interests, except Standard Federal's security interest, and no financing statements or other filings, other than that of Standard Federal, are on file covering the Collateral or any of it; (b) the address of Debtor's principal office is as set forth above and the Collateral, wherever located, is covered by this Agreement; (c) the Collateral will not be used, nor will Debtor permit the Collateral to be used, for any unlawful purpose, whatever; (d) Debtor will neither change its name, form of business entity nor address of its principal office without giving written notice to Standard Federal thereof at least ten (10) days prior to the effective date of such change, and Debtor agrees that all documents, instruments, and agreements demanded by Standard Federal in response to such change shall be prepared, filed, and recorded at Debtor's expense prior to the effective date of such change; (e) each trademark constituting Collateral has been duly registered and is genuine and enforceable; (f) the execution and delivery of this Agreement and any instruments evidencing Liabilities will not violate nor constitute a breach of Debtor's organizational documents, or any agreement or restriction of any type whatsoever to which Debtor is a party or is subject; (g) all financial statements and information relating to Debtor delivered or to be delivered by Debtor to Standard Federal 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 Debtor since the submission of any such financial information to Standard Federal; (h) there are no actions or proceedings which are threatened or pending against Debtor which might result in any material adverse change in Debtor's financial condition or which might materially affect any of Debtor's assets; (i) Debtor has duly filed all federal, state, and other governmental tax returns which Debtor is required by law to file, and will continue to file same during such time as any of the Liabilities hereunder remain owing to Standard Federal, and all such taxes required to be paid have been paid, in full; and (j) Debtor will indemnify and hold Standard Federal harmless against claims of any persons or entities not a party to this Agreement concerning disputes arising over the Collateral.

5. **Agreement in Effect.** This Agreement shall be and become effective when, and continue in effect as long as, any Liabilities of Borrower to Standard Federal are outstanding and unpaid. Debtor will

not sell, assign, transfer, pledge, alienate or otherwise dispose of or encumber any Collateral to any third party while this Agreement is in effect without the written consent of Standard Federal.

6. **Covenants.** Debtor shall: (a) pay promptly all taxes, levies, assessments, judgments, and charges of any kind upon or relating to the Collateral, to Debtor's business, and to Debtor's ownership or use of any of its assets, income, or gross receipts; and (b) 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 Standard Federal, and, upon Standard Federal's request, shall furnish Standard Federal with such policies and evidence of payment of premiums thereon. If Debtor 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 Standard Federal, without waiving or releasing any obligation or default of Debtor 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 Standard Federal deems advisable. All sums so disbursed by Standard Federal, including reasonable attorney fees, court costs, expenses, and other charges relating thereto, shall be part of Borrower's 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.

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

8. **Default.** The occurrence of any of the following shall constitute an Event of Default hereunder: (a) If any of the Liabilities is not paid when due; (b) If any warranty or representation made by or for the Borrower or any other party liable on any of the Liabilities or if any financial data or any other information now or hereafter furnished to Standard Federal by or on behalf of the Borrower or any other party liable on any of the Liabilities shall prove to be false, inaccurate or misleading in any material respect; (c) If an event of default shall occur under any promissory note secured hereby or if the Debtor shall fail to perform any of its obligations or covenants under this Agreement, or shall fail to comply with any of the other provisions of this Agreement of any loan agreement or a promissory note or any other agreement with Standard Federal to which it may be a party; (d) If the Borrower or any other party liable on any of the Liabilities shall voluntarily suspend transaction of its business; (e) If the Borrower or any other party liable on any of the Liabilities: (i) makes a general assignment for the benefit of creditors, (ii) files a voluntary petition in bankruptcy or for a reorganization to effect a plan or other arrangement with creditors, (iii) files an answer to a creditor's petition or other petition against it for relief in bankruptcy or for a reorganization which answer admits the material allegations thereof, (iv) has entered against it any order for relief by any court of bankruptcy jurisdiction, (v) has instituted against it bankruptcy, reorganization or liquidation proceedings which remain undismissed for 60 days, (vi) has entered against it any order by any court approving a plan for its reorganization or any other plan or arrangement with its creditors, (vii) applies for or permits the appointment of a receiver, trustee or custodian for any substantial portion of its properties or assets, or (viii) becomes unable to meet its debts as they mature or becomes insolvent; (f) If there shall

be entered against the Borrower or any other party liable on any of the Liabilities one or more judgments or decrees which are not insured against or satisfied or appealed from and bonded within the time or times limited by applicable rules of procedure for appeal as of right or if a writ of attachment or garnishment against the Borrower or any other party liable on any of the Liabilities shall be issued and levied in an action claiming \$10,000.00 or more and not released, bonded or appealed from within 30 days after the levy thereof; (g) If the Borrower or any principal officer or general partner of the Borrower or any other party liable on any of the Liabilities shall die, merge or consolidate with another entity; (h) If the Borrower or a controlling portion of its voting stock (if the Borrower is a corporation) or a substantial portion of its assets comes under the practical, beneficial or effective control of any person or persons other than those having such control as of the date hereof, if any such change of control, in the sole and absolute discretion of Standard Federal adversely impacts upon the ability of the Borrower to carry on its business as theretofore conducted or to repay the Liabilities; (i) If the Borrower shall sell, lease or transfer all or a material portion of its assets or shall acquire by lease or purchase all or a material portion of the business or assets of any other entity; (j) If the Borrower or any other party liable on any of the Liabilities shall default in the due payment of any indebtedness to whomsoever owed, or shall default in the observance or performance of any term, covenant or condition in any mortgage, security agreement, guaranty, instrument, lease or agreement to which it is a party; (k) If Standard Federal in good faith reasonably believes that the value of any of the Collateral or the ability of the Borrower or any other party liable on any of the Liabilities to pay the Liabilities or otherwise meet its obligations thereunder is or soon will be impaired, time being of the essence, or otherwise shall feel insecure for any reason.

9. **Remedies Upon Default.** Upon the occurrence of any Event of Default, any and all of the Liabilities may (notwithstanding any provisions thereof and unless otherwise provided in any loan agreement executed in conjunction therewith), at the option of Standard Federal, and without demand or notice of any kind, be declared and thereupon shall immediately become due and payable and Standard Federal 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. Standard Federal may directly contact third parties and enforce against them all rights which arise with respect to the Collateral and to which Debtor or Standard Federal would be entitled. Standard Federal 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 Debtor. Debtor agrees, upon the occurrence of an Event of Default, to pay all costs of Standard Federal of collection of the Liabilities, and enforcement of rights hereunder, including reasonable attorney fees and legal expenses, including participation in Bankruptcy proceedings. 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 seven (7) days before such disposition, postage pre-paid, addressed to the Debtor either at the address shown above or at any other address of the Debtor appearing on the records of Standard Federal. Debtor acknowledges that Standard Federal 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. Debtor 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. Debtor 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, Standard Federal 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 Debtor or its successors or assigns. If the Collateral shall be insufficient to pay the entire Liabilities, Borrower shall pay to Standard Federal the

resulting deficiency upon demand. Debtor expressly waives any and all claims of any nature, kind or description which it has or may hereafter have against Standard Federal or its representatives, by reason of taking, selling or collecting any portion of the Collateral. Debtor 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 Standard Federal shall deem appropriate. Debtor expressly absolves Standard Federal 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. Debtor agrees that Standard Federal shall, upon the occurrence of an Event of Default, have the right to peacefully retake any of the collateral. Debtor waives any right it may have in such instance to a judicial hearing prior to such retaking.

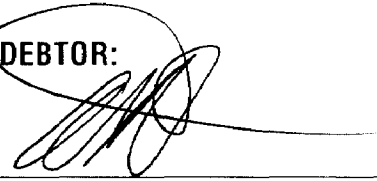
10. **General.** Time shall be deemed of the very essence of this Agreement. Except as otherwise defined in this Agreement, all terms in this Agreement shall have the meanings provided by the Michigan Uniform Commercial Code. Standard Federal shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if it takes such action for that purpose as Debtor requests in writing, but failure of Standard Federal to comply with any such request shall not of itself be deemed a failure to exercise reasonable care, and failure of Standard Federal 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 Debtor 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 Standard Federal 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 Debtor. Debtor hereby expressly authorizes and appoints Standard Federal 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.

11. **No Waiver.** Any delay on the part of Standard Federal in exercising any power, privilege or right hereunder, or under any other instrument executed by Debtor to Standard Federal 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 Standard Federal of any default by Borrower shall not constitute a waiver of any subsequent defaults, but shall be restricted to the default so waived. All rights, remedies and powers of Standard Federal 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 Debtor 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.

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

Witnesses:

  
\_\_\_\_\_

**DEBTOR:**   
\_\_\_\_\_

William T. Downs, III



**SECURITY AGREEMENT**  
(Patents and/or Trademarks)

THIS AGREEMENT is made on 1/25/01 by and between William T. Downs, III ("Debtor"), whose address is 642 East Nine Mile Road, Ferndale, Michigan 48220, and Standard Federal Bank, a federal savings bank ("Standard Federal"), whose address is 2600 West Big Beaver Road, Troy, Michigan 48084.

RECITALS:

A. Mongolian Management and Investment Company, L.L.C., a Michigan limited liability company ("Borrower"), may from time to time request loans, advances or other financial accommodations from Standard Federal to be secured as herein provided.

B. Standard Federal may, in its discretion, honor such requests in whole or part.

NOW, THEREFORE, in consideration of the Recitals and the covenants and agreements herein contained, the Debtor hereby agrees as follows:

1. **Grant of Security Interest.** Debtor hereby grants to Standard Federal a continuing security interest in, and conveys, transfers, sets over and assigns to Standard Federal, all of Debtor's right, title and interest in and to the property and interests in property described below (hereinafter referred to as the "Collateral") to secure the payment of all loans and advances including any renewals or extensions thereof from Standard Federal to Borrower and all obligations of any and every kind and nature heretofore, now or hereafter owing from Borrower to Standard Federal, however incurred or evidenced, whether primary, secondary, contingent or otherwise, whether arising under this Agreement, under any other security agreement(s), promissory note(s), guarantee(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 Borrower and delivered to Standard Federal, 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 Standard Federal in the disbursement, administration or collection of such obligations and in the protection, maintenance and liquidation of the Collateral (hereinafter collectively called "Liabilities").

2. **Collateral.** The Collateral covered by this Agreement is all the Debtor's right, tile and interest in and to the property described below, which it now owns or shall hereafter acquire or create immediately upon the acquisition or creation thereof:

a. The following trademarks:

<u>Country</u>	<u>Trademark</u>	<u>Registration Number</u>	<u>Filing Date</u>
USA	BD's Mongolian Barbeque	1,985,482	07/09/1996

b. All of the Debtor's rights under each trademark referred to above and the proceeds of disposition thereof, and all of the goodwill of the business connected with the use of, and symbolized by, each trademark.

c. All proceeds (whether cash proceeds or noncash proceeds) and products of the Collateral, including without limitation, any claim by Debtor against third parties for past, present or future infringement or dilution of any trademark or for injury to the goodwill associated with any trademark.

d. All general intangibles consisting of, arising from or pertaining to the trademarks listed above.

3. **Perfection of Security Interest.** Debtor shall execute and deliver to Standard Federal concurrently with Debtor's execution of this Agreement and at any time or times hereafter at the request of Standard Federal and pay the cost of filing or recording same in all public offices deemed necessary by Standard Federal, all financing statements, continuation financing statements, assignments, certificates of title, affidavits, reports, notices, letters of authority and all other documents that Standard Federal may reasonably request in form satisfactory to Standard Federal to perfect and maintain Standard Federal's security interests in the Collateral. In order to fully consummate all of the transactions contemplated hereunder, Debtor shall make appropriate entries on its books and records disclosing Standard Federal's security interests in the Collateral.

4. **Warranties.** Debtor warrants and agrees that while any of the Liabilities remain unperformed and unpaid: (a) except as may be otherwise disclosed in this Agreement, Debtor is the owner of the Collateral free and clear of all liens or security interests, except Standard Federal's security interest, and no financing statements or other filings, other than that of Standard Federal, are on file covering the Collateral or any of it; (b) the address of Debtor's principal office is as set forth above and the Collateral, wherever located, is covered by this Agreement; (c) the Collateral will not be used, nor will Debtor permit the Collateral to be used, for any unlawful purpose, whatever; (d) Debtor will neither change its name, form of business entity nor address of its principal office without giving written notice to Standard Federal thereof at least ten (10) days prior to the effective date of such change, and Debtor agrees that all documents, instruments, and agreements demanded by Standard Federal in response to such change shall be prepared, filed, and recorded at Debtor's expense prior to the effective date of such change; (e) each trademark constituting Collateral has been duly registered and is genuine and enforceable; (f) the execution and delivery of this Agreement and any instruments evidencing Liabilities will not violate nor constitute a breach of Debtor's organizational documents, or any agreement or restriction of any type whatsoever to which Debtor is a party or is subject; (g) all financial statements and information relating to Debtor delivered or to be delivered by Debtor to Standard Federal 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 Debtor since the submission of any such financial information to Standard Federal; (h) there are no actions or proceedings which are threatened or pending against Debtor which might result in any material adverse change in Debtor's financial condition or which might materially affect any of Debtor's assets; (i) Debtor has duly filed all federal, state, and other governmental tax returns which Debtor is required by law to file, and will continue to file same during such time as any of the Liabilities hereunder remain owing to Standard Federal, and all such taxes required to be paid have been paid, in full; and (j) Debtor will indemnify and hold Standard Federal harmless against claims of any persons or entities not a party to this Agreement concerning disputes arising over the Collateral.

5. **Agreement in Effect.** This Agreement shall be and become effective when, and continue in effect as long as, any Liabilities of Borrower to Standard Federal are outstanding and unpaid. Debtor will

not sell, assign, transfer, pledge, alienate or otherwise dispose of or encumber any Collateral to any third party while this Agreement is in effect without the written consent of Standard Federal.

6. **Covenants.** Debtor shall: (a) pay promptly all taxes, levies, assessments, judgments, and charges of any kind upon or relating to the Collateral, to Debtor's business, and to Debtor's ownership or use of any of its assets, income, or gross receipts; and (b) 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 Standard Federal, and, upon Standard Federal's request, shall furnish Standard Federal with such policies and evidence of payment of premiums thereon. If Debtor 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 Standard Federal, without waiving or releasing any obligation or default of Debtor 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 Standard Federal deems advisable. All sums so disbursed by Standard Federal, including reasonable attorney fees, court costs, expenses, and other charges relating thereto, shall be part of Borrower's 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.

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

8. **Default.** The occurrence of any of the following shall constitute an Event of Default hereunder: (a) If any of the Liabilities is not paid when due; (b) If any warranty or representation made by or for the Borrower or any other party liable on any of the Liabilities or if any financial data or any other information now or hereafter furnished to Standard Federal by or on behalf of the Borrower or any other party liable on any of the Liabilities shall prove to be false, inaccurate or misleading in any material respect; (c) If an event of default shall occur under any promissory note secured hereby or if the Debtor shall fail to perform any of its obligations or covenants under this Agreement, or shall fail to comply with any of the other provisions of this Agreement of any loan agreement or a promissory note or any other agreement with Standard Federal to which it may be a party; (d) If the Borrower or any other party liable on any of the Liabilities shall voluntarily suspend transaction of its business; (e) If the Borrower or any other party liable on any of the Liabilities: (i) makes a general assignment for the benefit of creditors, (ii) files a voluntary petition in bankruptcy or for a reorganization to effect a plan or other arrangement with creditors, (iii) files an answer to a creditor's petition or other petition against it for relief in bankruptcy or for a reorganization which answer admits the material allegations thereof, (iv) has entered against it any order for relief by any court of bankruptcy jurisdiction, (v) has instituted against it bankruptcy, reorganization or liquidation proceedings which remain undismissed for 60 days, (vi) has entered against it any order by any court approving a plan for its reorganization or any other plan or arrangement with its creditors, (vii) applies for or permits the appointment of a receiver, trustee or custodian for any substantial portion of its properties or assets, or (viii) becomes unable to meet its debts as they mature or becomes insolvent; (f) If there shall

be entered against the Borrower or any other party liable on any of the Liabilities one or more judgments or decrees which are not insured against or satisfied or appealed from and bonded within the time or times limited by applicable rules of procedure for appeal as of right or if a writ of attachment or garnishment against the Borrower or any other party liable on any of the Liabilities shall be issued and levied in an action claiming \$10,000.00 or more and not released, bonded or appealed from within 30 days after the levy thereof; (g) If the Borrower or any principal officer or general partner of the Borrower or any other party liable on any of the Liabilities shall die, merge or consolidate with another entity; (h) If the Borrower or a controlling portion of its voting stock (if the Borrower is a corporation) or a substantial portion of its assets comes under the practical, beneficial or effective control of any person or persons other than those having such control as of the date hereof, if any such change of control, in the sole and absolute discretion of Standard Federal adversely impacts upon the ability of the Borrower to carry on its business as theretofore conducted or to repay the Liabilities; (i) If the Borrower shall sell, lease or transfer all or a material portion of its assets or shall acquire by lease or purchase all or a material portion of the business or assets of any other entity; (j) If the Borrower or any other party liable on any of the Liabilities shall default in the due payment of any indebtedness to whomsoever owed, or shall default in the observance or performance of any term, covenant or condition in any mortgage, security agreement, guaranty, instrument, lease or agreement to which it is a party; (k) If Standard Federal in good faith reasonably believes that the value of any of the Collateral or the ability of the Borrower or any other party liable on any of the Liabilities to pay the Liabilities or otherwise meet its obligations thereunder is or soon will be impaired, time being of the essence, or otherwise shall feel insecure for any reason.

9. **Remedies Upon Default.** Upon the occurrence of any Event of Default, any and all of the Liabilities may (notwithstanding any provisions thereof and unless otherwise provided in any loan agreement executed in conjunction therewith), at the option of Standard Federal, and without demand or notice of any kind, be declared and thereupon shall immediately become due and payable and Standard Federal 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. Standard Federal may directly contact third parties and enforce against them all rights which arise with respect to the Collateral and to which Debtor or Standard Federal would be entitled. Standard Federal 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 Debtor. Debtor agrees, upon the occurrence of an Event of Default, to pay all costs of Standard Federal of collection of the Liabilities, and enforcement of rights hereunder, including reasonable attorney fees and legal expenses, including participation in Bankruptcy proceedings. 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 seven (7) days before such disposition, postage pre-paid, addressed to the Debtor either at the address shown above or at any other address of the Debtor appearing on the records of Standard Federal. Debtor acknowledges that Standard Federal 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. Debtor 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. Debtor 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, Standard Federal 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 Debtor or its successors or assigns. If the Collateral shall be insufficient to pay the entire Liabilities, Borrower shall pay to Standard Federal the

be entered against the Borrower or any other party liable on any of the Liabilities one or more judgments or decrees which are not insured against or satisfied or appealed from and bonded within the time or times limited by applicable rules of procedure for appeal as of right or if a writ of attachment or garnishment against the Borrower or any other party liable on any of the Liabilities shall be issued and levied in an action claiming \$10,000.00 or more and not released, bonded or appealed from within 30 days after the levy thereof; (g) If the Borrower or any principal officer or general partner of the Borrower or any other party liable on any of the Liabilities shall die, merge or consolidate with another entity; (h) If the Borrower or a controlling portion of its voting stock (if the Borrower is a corporation) or a substantial portion of its assets comes under the practical, beneficial or effective control of any person or persons other than those having such control as of the date hereof, if any such change of control, in the sole and absolute discretion of Standard Federal adversely impacts upon the ability of the Borrower to carry on its business as theretofore conducted or to repay the Liabilities; (i) If the Borrower shall sell, lease or transfer all or a material portion of its assets or shall acquire by lease or purchase all or a material portion of the business or assets of any other entity; (j) If the Borrower or any other party liable on any of the Liabilities shall default in the due payment of any indebtedness to whomsoever owed, or shall default in the observance or performance of any term, covenant or condition in any mortgage, security agreement, guaranty, instrument, lease or agreement to which it is a party; (k) If Standard Federal in good faith reasonably believes that the value of any of the Collateral or the ability of the Borrower or any other party liable on any of the Liabilities to pay the Liabilities or otherwise meet its obligations thereunder is or soon will be impaired, time being of the essence, or otherwise shall feel insecure for any reason.

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resulting deficiency upon demand. Debtor expressly waives any and all claims of any nature, kind or description which it has or may hereafter have against Standard Federal or its representatives, by reason of taking, selling or collecting any portion of the Collateral. Debtor 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 Standard Federal shall deem appropriate. Debtor expressly absolves Standard Federal 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. Debtor agrees that Standard Federal shall, upon the occurrence of an Event of Default, have the right to peacefully retake any of the collateral. Debtor waives any right it may have in such instance to a judicial hearing prior to such retaking.

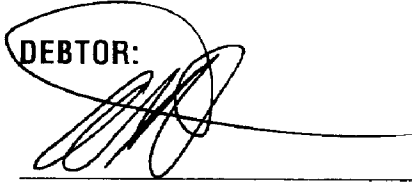
10. **General.** Time shall be deemed of the very essence of this Agreement. Except as otherwise defined in this Agreement, all terms in this Agreement shall have the meanings provided by the Michigan Uniform Commercial Code. Standard Federal shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if it takes such action for that purpose as Debtor requests in writing, but failure of Standard Federal to comply with any such request shall not of itself be deemed a failure to exercise reasonable care, and failure of Standard Federal 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 Debtor 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 Standard Federal 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 Debtor. Debtor hereby expressly authorizes and appoints Standard Federal 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.

11. **No Waiver.** Any delay on the part of Standard Federal in exercising any power, privilege or right hereunder, or under any other instrument executed by Debtor to Standard Federal 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 Standard Federal of any default by Borrower shall not constitute a waiver of any subsequent defaults, but shall be restricted to the default so waived. All rights, remedies and powers of Standard Federal 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 Debtor 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.

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

Witnesses:

  
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**DEBTOR:**  
  
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William T. Downs, III