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Form PTO-1594 (Rev. 03/01) OMB No. 0651-0027 (exp. 5/31/2002) Tab settings



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U.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies): Numatics, Incorporated G.S. 01
Individual(s) Association
General Partnership Limited Partnership
[X] Corporation-State Michigan
Other
Additional name(s) of conveying party(ies) attached? Yes No

2. Name and address of receiving party(ies)
Name: Bank One, Michigan, f.k.a., NBD Bank
Internal
Address:
Street Address: 611 Woodward Avenue
City: Detroit State: MI Zip: 48226
Individual(s) citizenship
Association
General Partnership
Limited Partnership
Corporation-State
[X] Other Michigan Banking Corporation
If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

3. Nature of conveyance:
Assignment Merger
[X] Security Agreement Change of Name
Other
Execution Date: January 3, 1996

4. Application number(s) or registration number(s):
A. Trademark Application No.(s) 75-818621
Additional number(s) attached Yes No

B. Trademark Registration No.(s)
40E

5. Name and address of party to whom correspondence concerning document should be mailed:
Name: Marc A. Bergsman
Internal Address: Dickinson Wright PLLC
Suite 800
Street Address: 1901 L Street, N.W.
City: Washington State: D.C. Zip: 20036

6. Total number of applications and registrations involved: 1
7. Total fee (37 CFR 3.41) \$40.00
[X] Enclosed
[X] Authorized to be charged to depr
8. Deposit account number: 04-1061
(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature.
To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.
Marc A. Bergsman Signature June 7, 2001 Date
Total number of pages including cover sheet, attachments, and document: 20

06/14/2001 LMUELLER 00000165 75818621

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Mail documents to be recorded with required cover sheet information to Commissioner of Patent & Trademarks, Box Assignments Washington, D.C. 20231

TRADEMARK REEL: 002314 FRAME: 0363

## SECURITY AGREEMENT

THIS SECURITY AGREEMENT, dated as of January 3, 1996 (this "Agreement"), is made by NUMATICS, INCORPORATED, a Michigan corporation (the "Company") in favor of NBD BANK, as collateral agent (in such capacity, the "Collateral Agent") for the benefit of the Lenders (as defined below).

### WITNESSETH:

A. The Company, NAC Beteiligungs GmbH, a corporation organized and existing under the laws of the Federal Republic of Germany ("Numatics GmbH") and Numatics Ltd., a corporation organized and existing under the laws of Canada ("Numatics Ltd." and, collectively with the Company and Numatics GmbH, the "Borrowers"), NBD Bank, as administrative agent (in such capacity, the "Administrative Agent"), The First National Bank of Boston, as managing agent (in such capacity, the "Managing Agent") (the Collateral Agent, the Administrative Agent and the Managing Agent may be collectively referred to as the "Agents") and the lenders named therein (the "Senior Lenders") have entered into a Loan Agreement dated January 3, 1996 (as amended or modified from time to time, including any agreement entered into in substitution therefor, the "Loan Agreement") pursuant to which the Senior Lenders agreed, subject to the terms and conditions thereof, to extend credit to the Borrowers.

B. The Company has executed a guaranty in favor of the Senior Lenders guaranteeing the obligations of the other Borrowers to the Senior Lenders (the "Guaranty").

C. The Company has agreed to grant a first priority security interest in collateral to the Collateral Agent, for the benefit of the Senior Lenders, to secure its obligations pursuant to the Loan Agreement and the Guaranty and the other Borrowers' obligations to the Senior Lenders, including those arising under the Loan Agreement.

D. The Company and Harvard Private Capital Holdings, Inc., a Massachusetts corporation ("Harvard", together with the holders of the Subordinated Notes from time to time, the "Subordinated Lenders") have entered into a Securities Purchase Agreement dated as of January 3, 1996 (the "Subordinated Securities Purchase Agreement") pursuant to which Harvard agreed, subject to the terms and conditions thereof, to purchase \$30,000,000 in aggregate principal amount of the Company's Senior Subordinated Notes due January, 2004 (such notes, together with any PIK notes and any other promissory notes issued pursuant to the Subordinated Securities Purchase Agreement, as amended or modified from time to time and together with any notes issued in exchange and replacement therefor, the "Subordinated Notes") (the Subordinated Lenders and the Senior Lenders shall be collectively referred to as the "Lenders").

E. The Company has agreed to grant a second priority security interest in collateral to the Collateral Agent, for the benefit of the Subordinated Lenders, which security interest shall be subordinate to the lien of the Senior Lenders, to secure its obligations pursuant to the Subordinated Securities Purchase Agreement and the Subordinated Notes.

F. The Lenders and the Collateral Agent are parties to an Intercreditor Agreement dated as of January 3, 1996 (the "Intercreditor Agreement"), further describing the priorities of the liens granted hereunder.

NOW, THEREFORE, for value received, the Company hereby grants, assigns and transfers to the Collateral Agent, for the benefit of the Senior Lenders, a first priority security interest in and to, and lien upon, the Collateral (as hereinafter defined) to secure the "Senior Indebtedness". The term "Senior Indebtedness" shall mean all of the following, whether now or hereafter outstanding or incurred: (i) the principal amount of all Indebtedness of the Company outstanding under the Loan Agreement, (ii) all interest on and fees relating to the Senior Indebtedness described in clause (i) above, including such interest and fees as may accrue after the filing of a petition with respect to the Company under Title 11 of the United States Code or any successor statute, whether or not an allowable claim, (iii) all reimbursement obligations pursuant to any letters of credit, bank acceptances, bank guarantees or similar documents issued or arranged for pursuant to the Loan Agreement, (iv) guarantees with respect to any obligations of the types described in this definition of Subsidiaries of the Company, (v) all charges, fees, expenses and other amounts in respect of the Loan Agreement or any other agreement, instrument or document executed in connection therewith, including without limitation attorneys fees, any interest rate protection obligations (including without limitation all obligations pursuant to any interest rate swap agreements or any other similar agreements) incurred in connection therewith, all premiums, indemnities and all other obligations of any kind relating thereto, (vi) all guarantees executed by the Company or other obligations of the Company for any indebtedness of any Subsidiary of the Company incurred under the Loan Agreement, and (vii) all renewals, extensions, refinancing, refundings, amendments and modifications of the Senior Indebtedness described in clauses (i) and (ii) above.

NOW, THEREFORE, for value received, the Company hereby also grants, assigns and transfers to the Collateral Agent, for the benefit of the Subordinated Lenders, a second priority security interest, which security interest shall be subordinate to the lien granted above to the Senior Lenders, as further described in the Intercreditor Agreement, in and to, and lien upon, the Collateral (as hereinafter defined) to secure the "Subordinated Indebtedness". The term "Subordinated Indebtedness" shall mean all of the following, whether now or hereafter outstanding or incurred: all Indebtedness of the Company in respect of the principal of, premium (if any) and interest on the Subordinated Notes and all costs, expenses, fees, premiums and other amounts owing pursuant to the Subordinated Notes, the Subordinated Securities Purchase Agreement, and/or all other present and future agreements executed in connection therewith or related thereto or otherwise owing to any Subordinated Lender, including without limitation any

extensions, renewals, increases or other modifications thereof, and all principal, interest, fees, and costs under or in any way arising therefrom.

All of the Senior Indebtedness and Subordinated Indebtedness may be herein called the "Secured Obligations", and all of the documents, agreements and instruments between the Borrowers, the Subsidiaries, any Lender and any Agent, or any of them, evidencing or securing the repayment of, or otherwise pertaining to the Secured Obligations, including without limitation the Loan Agreement, the Subordinated Notes, the Subordinated Securities Purchase Agreement and the Intercreditor Agreement and this Agreement are collectively called the "Operative Documents".

The following described property whether now owned or existing or hereafter acquired or arising and wherever located is herein collectively called the "Collateral":

(a) All of the Company's present and future accounts, documents, instruments, general intangibles and chattel paper, including, but without limitation, all contract rights, all accounts receivable, all deposit accounts and all monies and claims for money due or to become due to the Company;

(b) All of the Company's furniture, machinery and equipment, whether now owned or hereafter acquired, and wherever located, and whether used by the Company or any other person, or leased by the Company to any person and whether the interest of Company is as owner, lessee or otherwise;

(c) All of the Company's inventory of every type, wherever located, including but not limited to raw materials, work in process, finished goods and all inventory that is available for leasing or leased to others by the Company;

(d) All other assets of the Company (whether tangible or intangible), including but not limited to all patents, trademarks, industrial designs, masks, trade names, copyrights, franchises, licenses and permits, and the good will associated therewith and all federal and state applications and registrations therefor, further including without limitation the trademarks described on Schedule A hereto;

(e) All books, records, files, correspondence, computer programs, tapes, disks, cards, accounting information and other data of the Company related in any way to the Collateral described in clauses (a), (b), (c) and (d) above, including but not limited to any of the foregoing necessary to administer, sell or dispose of any of the Collateral;

(f) All substitutions and replacements for, and all additions and accessions to, any and all of the foregoing; and

(g) All products and all proceeds of any and all of the foregoing, and, to the extent not otherwise included, all payments under insurance (whether or not the Collateral Agent is the loss payee thereof), and any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing.

The above two grants of security interests to (1) the Collateral Agent for the benefit of the Senior Lenders and (2) the Collateral Agent for the benefit of the Subordinated Lenders are two separate and distinct grants of a security interest and are included in one document for convenience.

1. Representations, Warranties, Covenants and Agreements. The Company represents, warrants, covenants, and agrees with the Collateral Agent for the benefit of the Lenders as follows:

(a) Ownership of Collateral; Security Interest Priority. At the time any Collateral becomes subject to a security interest of the Collateral Agent hereunder, unless the Collateral Agent shall otherwise consent, the Company shall be deemed to have represented and warranted that (i) the Company is the lawful owner of such Collateral and has the right and authority to subject the same to the security interest of the Collateral Agent; (ii) other than Liens permitted under Section 5.2(f) of the Loan Agreement and Section 9.6 of the Subordinated Securities Purchase Agreement, none of the Collateral is subject to any Lien other than that in favor of the Collateral Agent and there is no effective financing statement covering any of the Collateral on file in any public office, other than in favor of the Collateral Agent. Except as specified in clause (ii) above, this Security Agreement creates in favor of the Collateral Agent a valid and perfected security interest in the Collateral enforceable against the Company and all third parties and securing the payment of the Secured Obligations and all filings and other actions necessary or desirable to create, preserve or perfect such security interests have been duly taken.

(b) Location of Offices, Records and Facilities. The Company's chief executive office and chief place of business and the office where the Company keeps its records concerning its accounts, contract rights, chattel papers, instruments, general intangibles and other obligations arising out of or in connection with the sale or lease of goods or the rendering of services or otherwise ("Receivables"), and all originals of all leases and other chattel paper which evidence Receivables, are located in the State of Michigan, County of Oakland at 1450 North Milford Road, Highland, Michigan 48357. The Company will provide the Collateral Agent with prior written notice of any proposed change in the location of its chief executive office and will not change the location of its chief executive office without the prior written consent of the Collateral Agent. The Company's only other offices and facilities are at the locations set forth in Schedule 1(b) hereto. The Company will provide the Collateral Agent with prior written notice of any change in the locations of its other offices and the facilities. The tax identification number of the Company is 38-2955710.

(c) Location of Inventory, Fixtures, Machinery and Equipment. (i) All Collateral consisting of inventory is, and will be, located at the locations listed on Schedule 1(c)(i) hereto, and at no other locations without the prior written consent of the Collateral Agent. (ii) All Collateral consisting of fixtures, machinery or equipment, is, and will be, located at the locations listed on Schedule 1(c)(ii) hereto, and at no other locations without the prior written consent of the Collateral Agent. If the Collateral described in clauses (i) or (ii) is kept at leased locations or warehoused, the Company has obtained appropriate landlord's lien waivers or appropriate warehousemen's notices have been sent, each satisfactory to the Collateral Agent, unless waived by the Collateral Agent.

(d) Liens, Etc. The Company will keep the Collateral free at all times from any and all liens, security interests or encumbrances other than those described in paragraph 1(a)(ii) and those consented to in writing by the Collateral Agent. The Company will not, without the prior written consent of the Collateral Agent, sell or lease, or permit or suffer to be sold or leased, any of the Collateral except inventory which is sold in the ordinary course of the Company's business and sales permitted pursuant to Section 5.2(h) of the Loan Agreement and Section 9.1 of the Subordinated Securities Purchase Agreement. The Collateral Agent or its attorneys may at any and all reasonable times inspect the Collateral and for such purpose may enter upon any and all premises where the Collateral is or might be kept or located.

(e) Insurance. The Company shall keep the tangible Collateral insured at all times against loss by theft, fire and other casualties. Said insurance shall be issued by a company satisfactory to the Collateral Agent and shall be in amounts sufficient to protect the Collateral Agent against any and all loss or damage to the Collateral. The policy or policies which evidence said insurance shall be delivered to the Collateral Agent upon request, shall contain a loss payable clause in favor of the Collateral Agent, shall name the Collateral Agent as an additional insured, as its interest may appear, shall not permit amendment, cancellation or termination without giving the Collateral Agent at least 30 days prior written notice thereof, and shall otherwise be in form and substance satisfactory to the Collateral Agent. Reimbursement under any liability insurance maintained by the Company pursuant to this paragraph 1(e) may be paid directly to the person who shall have incurred liability covered by such insurance. In case of any loss involving loss to tangible Collateral when the next succeeding sentence is not applicable, the Company shall make or cause to be made the necessary repairs to or replacements of such tangible Collateral and any proceeds of insurance maintained by the Company pursuant to this paragraph 1(e) shall be paid to the Company as reimbursement for the costs of such repairs or replacements. Upon the occurrence and during the continuance of an Event of Default or the actual or constructive total loss of any tangible Collateral valued in excess of 25% of the book value of all fixed assets of the Company, all insurance payments in respect of such tangible Collateral shall be paid to the Collateral Agent to be held in trust by the Collateral Agent for the Company and, prior to the irrevocable payment in full of all Secured Obligations shall be paid to the Company so long as no Event of Default or Unmatured Event shall have occurred and be continuing for the purpose of replacing such fixed assets with fixed assets of equal or greater

value, or after the irrevocable payment in full of all Secured Obligations or if the Company decides not to replace such fixed assets or if an Event of Default or Unmatured Event shall exist and be continuing, all insurance payments shall be paid to and applied by the Collateral Agent as specified in paragraph 3.

(f) Taxes, Etc. The Company will pay promptly, and within the time that they can be paid without interest or penalty, any taxes, assessments and similar imposts and charges, not being contested in good faith, which are now or hereafter may become a lien, charge or encumbrance upon any of the Collateral. If the Company fails to pay any such taxes, assessments or other imposts or charges in accordance with this Section, the Collateral Agent shall have the option to do so and the Company agrees to repay forthwith all amounts so expended by the Collateral Agent with interest at the Overdue Rate (as defined in the Loan Agreement).

(g) Further Assurances. The Company will do all acts and things and will execute all financing statements and writings reasonably requested by the Collateral Agent to establish, maintain and continue a perfected and valid security interest of the Collateral Agent in the Collateral, and will promptly on demand pay all reasonable costs and expenses of filing and recording all instruments, including the costs of any searches deemed necessary by the Collateral Agent to establish and determine the validity and the priority of the Collateral Agent's security interests. A carbon, photographic or other reproduction of this Security Agreement or any financing statement covering the Collateral shall be sufficient as a financing statement.

(h) Maintenance of Tangible Collateral. The Company will cause the tangible Collateral material to the Company's business to be maintained and preserved in the same condition, repair and working order as on the date hereof, ordinary wear and tear excepted, and in accordance with any manufacturer's manual, and shall forthwith, or, in the case of any loss or damage to any of the tangible Collateral as quickly as practicable after the occurrence thereof, make or cause to be made all repairs, replacements, and other improvements made in connection therewith which are necessary or desirable to such end. The Company shall promptly furnish to the Collateral Agent a statement respecting any loss or damage to any of the tangible Collateral, where an uninsured loss, together with all other uninsured losses, exceeds \$250,000.

(i) Maintenance of Intangible Collateral. The Company shall preserve and maintain all rights of the Company and the Collateral Agent in the intangible Collateral material to the Company's business, including without limitation the payment of all maintenance fees and the taking of appropriate action at the Company's expense to halt the infringement of any of the intangible Collateral.

(j) Special Rights Regarding Accounts Receivable. The Collateral Agent or any of its agents may in connection with audits conducted prior to any Event of Default, and for any reason in its sole discretion after an Event of Default, verify directly with the

Company's account debtors the accounts pledged hereunder in any manner. Upon the occurrence of an Event of Default the Collateral Agent or any of its agents may notify the Company's account debtors of the security interest of the Collateral Agent in the Collateral and/or direct such account debtors that all payments in connection with such obligations and the Collateral be made directly to the Collateral Agent in the Collateral Agent's name. If the Collateral Agent or any of its agents shall collect such obligations directly from the Company's account debtors, the Collateral Agent or any of its agents shall have the right to resolve any disputes relating to returned goods directly with the Company's account debtors in a commercially reasonable manner. The Company directs and authorizes any and all of its present and future account debtors to comply with requests for information from the Collateral Agent, the Collateral Agent's designees and agents and/or auditors, relating to any and all business transactions between the Company and the Company's account debtors. Upon the occurrence of an Event of Default the Company further directs and authorizes all of its account debtors upon receiving a notice or request sent by the Collateral Agent or the agents or designees to pay directly to the Collateral Agent any and all sums of money or proceeds now or hereafter owing by the Company's account debtors to the Company, and any such payment shall act as a discharge of any debt of such account debtor to the Company in the same manner as if such payment had been made directly to the Company. The Company agrees to take any and all action as the Collateral Agent may reasonably request to assist the Collateral Agent in exercising the rights described in this Section.

(k) List of Patents, Copyrights and Trademarks. Attached hereto as Schedule 1(k)(i) is a list of all patents and patent applications owned by the Company. Attached hereto as Schedule 1(k)(ii) is a list of all registered copyrights and applications therefor owned by the Company. Attached hereto as Schedule 1(k)(iii) is a list of all trademarks and service marks owned by the Company. If the Company at any time owns any additional patents, copyrights, trademarks or any applications therefor not listed on such schedules, the Company shall give the Collateral Agent prompt written notice thereof and hereby authorizes the Collateral Agent to modify this Agreement by amending Schedules 1(k)(i), 1(k)(ii) and 1(k)(iii) to include all future patents, copyrights, mask works, trademarks and applications therefor and agrees to execute all further instruments and agreements, if any, if requested by the Collateral Agent to evidence the Collateral Agent's interest therein.

2. Events of Default. The occurrence of any of the following shall be deemed an "Event of Default" under this Security Agreement:

(a) Nonpayment of any of the Secured Obligations when due, beyond any period of grace, if any provided with respect thereto, and after the giving of any required notice;

(b) The failure of the Company to perform or observe any material term or covenant contained in this Security Agreement and such failure shall remain unremedied for



30 calendar days unless the Company is diligently pursuing to cure such failure to the reasonable satisfaction of the Collateral Agent;

(c) Any representation or warranty made by the Company in this Security Agreement shall prove to have been false or misleading in any material respect when made; or

(d) The occurrence of any Event of Default (as defined in the Loan Agreement) under the Loan Agreement.

(e) The occurrence of any Event of Default (as defined in the Subordinated Securities Purchase Agreement) under the Subordinated Securities Purchase Agreement.

3. Remedies. Upon the occurrence of any Event of Default, the Collateral Agent shall have and may exercise any one or more of the rights and remedies provided to it under this Security Agreement or any of the other Operative Documents or provided by law, including but not limited to all of the rights and remedies of a secured party under the Uniform Commercial Code, and the Company hereby agrees to assemble the Collateral and make it available to the Collateral Agent at a place to be designated by the Collateral Agent which is reasonably convenient to both parties, authorizes the Collateral Agent to take possession of the Collateral with or without demand and with or without process of law and to sell and dispose of the same at public or private sale and to apply the proceeds of such sale to the costs and expenses thereof (including reasonable attorneys' fees and disbursements, incurred by the Collateral Agent) and then to the payment of the Secured Obligations in the manner set forth in the Intercreditor Agreement. Any requirement of reasonable notice shall be met if the Collateral Agent sends such notice to the Company, by registered or certified mail, at least 10 days prior to the date of sale, disposition or other event giving rise to a required notice. The Collateral Agent may be the purchaser at any such sale. The Company expressly authorizes such sale or sales of the Collateral in advance of and to the exclusion of any sale or sales of or other realization upon any other collateral securing the Secured Obligations. Neither Agent shall have any obligation to preserve rights against prior parties. The Company hereby waives as to the Agents any right of subrogation or marshalling of such Collateral and any other collateral for the Secured Obligations. To this end, the Company hereby expressly agrees that any such collateral or other security of the Company or any other party which either Agent or any Lender may hold, or which may come to any of them or any of their possession, may be dealt with in all respects and particulars as though this Security Agreement were not in existence. The parties hereto further agree that public sale of the Collateral by auction conducted in any county in which any Collateral is located or in which the Collateral Agent or the Company does business after advertisement of the time and place thereof shall, among other manners of public and private sale, be deemed to be a commercially reasonable disposition of the Collateral. The Company shall be liable for any deficiency remaining after disposition of the Collateral.

4. Special Remedies Concerning Certain Collateral.

(a) Upon the occurrence of an Event of Default, the Company shall, if requested to do so in writing, and to the extent so requested (i) promptly collect and enforce payment of all amounts due the Company on account of, in payment of, or in connection with, any of the Collateral, (ii) hold all payments in the form received by the Company as trustee for the Collateral Agent, without commingling with any funds belonging to the Company, and (iii) forthwith deliver all such payments to the Collateral Agent with endorsement to the Collateral Agent's order of any checks or similar instruments.

(b) Upon the occurrence of an Event of Default, the Company shall, if requested to do so, and to the extent so requested, notify all account debtors and other persons with obligations to the Company on account of or in connection with any of the Collateral of the security interest of the Collateral Agent in the Collateral and direct such account debtors and other persons that all payments in connection with such obligations and the Collateral be made directly to the Collateral Agent. The Collateral Agent itself may, upon the occurrence of an Event of Default, so notify and direct any such account debtor or other person that such payments are to be made directly to the Collateral Agent.

(c) Upon the occurrence of an Event of Default, for purposes of assisting the Collateral Agent in exercising its rights and remedies provided to it under this Security Agreement, the Company (i) hereby irrevocably constitutes and appoints the Collateral Agent its true and lawful attorney, for it and in its name, place and stead, to collect, demand, receive, sue for, compromise, and give good and sufficient releases for, any monies due or to become due on account of, in payment of, or in connection with the Collateral, (ii) hereby irrevocably authorizes the Collateral Agent to endorse the name of the Company upon any checks, drafts, or similar items which are received in payment of, or in connection with any of the Collateral, and to do all things necessary in order to reduce the same to money, (iii) with respect to any Collateral, hereby irrevocably assents to all extensions or postponements of the time of payment thereof or any other indulgence in connection therewith, to each substitution, exchange or release of Collateral, to the addition or release of any party primarily or secondarily liable, to the acceptance of partial payments thereon and the settlement, compromise or adjustment (including adjustment of insurance payments) thereof, all in such manner and at such time or times as the Collateral Agent shall deem advisable, and (iv) hereby irrevocably authorizes the Collateral Agent to notify the post office authorities to change the address for delivery of the Company's mail to an address designated by the Collateral Agent, and the Collateral Agent may receive, open and dispose of all mail addressed to the Company. Notwithstanding any other provisions of this Security Agreement, it is expressly understood and agreed that the Collateral Agent shall have no duty or be obligated in any manner to make any demand or to make any inquiry as to the nature or sufficiency of any payments received by it or to present or file any

claim or take any other action to collect or enforce the payment of any amounts due or to become due on account of or in connection with any of the Collateral.

5. Remedies Cumulative. No right or remedy conferred upon or reserved to either Agent or any Lender under any Operative Document is intended to be exclusive of any other right or remedy, and every right and remedy shall be cumulative in addition to every other right or remedy given hereunder or now or hereafter existing under any applicable law. Every right and remedy of either Agent or any Lender under any Operative Document or under applicable law may be exercised from time to time and as is often as may be deemed expedient by such Agent or such Lender. To the extent that it lawfully may, the Company agrees that it will not at any time insist upon, plead, or in any manner whatever claim or take any benefit or advantage of any applicable present or future stay, extension or moratorium law, which may effect observance or performance of any provisions of any Operative Document; nor will it claim, take or insist upon any benefit or advantage of any present or future law providing for the valuation or appraisal of any security for its obligations under any Operative Document prior to any sale or sales thereof which may be made under or by virtue of any instrument governing the same; nor will it, after any such sale or sales, claim or exercise any right, under any applicable law to redeem any portion of such security so sold.

6. Conduct No Waiver. No waiver of default shall be effective unless in writing executed by the Collateral Agent and waiver of any default or forbearance on the part of the Collateral Agent in enforcing any of its rights under this Security Agreement shall not operate as a waiver of any other default or of the same default on a future occasion or of such right.

7. Governing Law; Definitions; Termination. This Security Agreement is a contract made under, and the rights and obligations of the parties hereunder shall be governed by and construed in accordance with, the laws of the State of Michigan applicable to contracts made and to be performed entirely within such State. Terms used but not defined herein shall have the respective meaning ascribed thereto in the Loan Agreement. Unless otherwise defined herein, terms used in Article 9 of the Uniform Commercial Code in the State of Michigan are used herein as therein defined on the date hereof. The headings of the various subdivisions hereof are for convenience of reference only and shall in no way modify any of the terms or provisions hereof. This Security Agreement shall be terminated when all the Secured Obligations have been irrevocably paid in full.

8. Notices. All notices, demands, requests, consents and other communications hereunder shall be delivered and shall be effective in the manner specified in the Loan Agreement.

9. Rights Not Construed as Duties. The Collateral Agent neither assumes nor shall it have any duty of performance or other responsibility under any contracts in which the Collateral Agent has or obtains a security interest hereunder. If the Company fails to perform

any agreement contained herein, the Collateral Agent may but is in no way obligated to itself perform, or cause performance of, such agreement, and the expenses of the Collateral Agent incurred in connection therewith shall be payable by the Company under paragraph 12. The powers conferred on the Collateral Agent hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession, commercially reasonable disposition of collateral and accounting for monies actually received by it hereunder, the Collateral Agent shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.

10. Amendments. None of the terms and provisions of this Security Agreement may be modified or amended in any way except by an instrument in writing executed by the Company and the Collateral Agent, in accordance with the terms of the Intercreditor Agreement.

11. Severability. If any one or more provisions of this Security Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected, impaired or prejudiced thereby.

12. Expenses. (a) The Company agrees to indemnify the Collateral Agent from and against any and all claims, losses and liabilities growing out of or resulting from this Security Agreement (including, without limitation, enforcement of this Security Agreement), except claims, losses or liabilities resulting from the Collateral Agent's gross negligence or willful misconduct.

(b) The Company will, upon demand, pay to the Collateral Agent the amount of any and all reasonable expenses, including the reasonable fees and disbursements of its counsel and of any experts and agents, which the Collateral Agent may incur in connection with (i) the administration of this Security Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the Collateral Agent hereunder, or (iv) the failure of the Company to perform or observe any of the provisions hereof. The Company will reimburse the Collateral Agent for all expenses, including attorneys' fees and disbursements incurred by the Collateral Agent in seeking to collect the indebtedness and other obligations secured hereby or any part thereof, in enforcing performance of the Company's obligations under the Operative Documents, in defending the Collateral Agent's security interests and the priority thereof, or in pursuing any of the Collateral Agent's rights or remedies hereunder or under the Operative Documents.

13. Successors and Assigns. This Security Agreement shall create a continuing security interest in the Collateral and shall be binding upon the Company, its successors and assigns and inure, together with the rights and remedies of the Collateral Agent hereunder, to the benefit of the Collateral Agent and its successors, transferees and assigns.

14. Waiver of Jury Trial. The Collateral Agent and the Lenders, in accepting this Security Agreement, and the Company, after consulting or having had the opportunity to consult with counsel, knowingly, voluntarily and intentionally waive any right any of them may have to a trial by jury in any litigation based upon or arising out of this Security Agreement or any related instrument or agreement or any of the transactions contemplated by this Security Agreement or any course of conduct, dealing, statements (whether oral or written) or actions of any of them. Neither the Agents and the Lenders nor the Company shall seek to consolidate, by counterclaim or otherwise, any such action in which a jury trial has been waived with any other action in which a jury trial cannot be or has not been waived. These provisions shall not be deemed to have been modified in any respect or relinquished by either the Agents and the Lenders or the Company except by a written instrument executed by all of them.

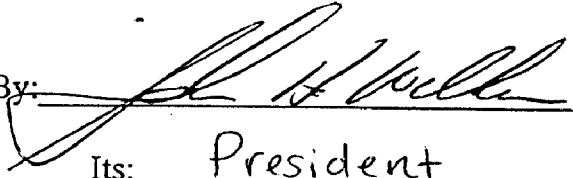
15. Consent to Jurisdiction. Any suit, action or proceeding against the Company arising out of or relating to this Security Agreement may be instituted in any court of competent jurisdiction in the State of Michigan and the Company hereby irrevocably waives any objection which it may have or hereafter have to the laying of such venue of any such suit, action or proceeding and any claim that any such suit, action or proceeding has been brought in an inconvenient forum, and the Company hereby irrevocably submits its person and property to the jurisdiction of any such court in any such suit, action or proceedings. The Company hereby consents to the service of process in any suit, action or proceeding of the nature referred to in this paragraph by the mailing of a copy thereof by registered or certified mail, postage prepaid, or personally delivering a copy thereof, to the Company, addressed to the address specified in Section 8 hereof, or at such other address as the Company may hereafter specify to the Agent in writing. Nothing in this paragraph shall affect the right of the Agents to serve process in any other manner permitted by law or limit the right of the Agents to bring proceedings against the Company or any of its property in the courts of any other jurisdiction in which it is subject to service of process.

16. Waiver of Subrogation Rights. The Company waives all rights of subrogation, reimbursement or indemnity whatsoever and any rights of recourse to security for the debts and obligations of the Borrowers, unless and until the Secured Obligations have been irrevocably paid in full.

17. Intercreditor Agreement. The priorities of the liens and security interests granted hereunder and certain other rights and remedies are subject to the terms and provisions of the Intercreditor Agreement.


IN WITNESS WHEREOF, the Company has caused this Security Agreement to be duly executed as of the day and year first set forth above.

NUMATICS, INCORPORATED

By:   
Its: President

Accepted and Agreed to by:

NBD BANK, as Collateral Agent

By:   
Its: Vice President

WP6:[WPCMS.00007.2599]AGR\_AA3\_05.

## SCHEDULE 1(b) TO SECURITY AGREEMENT

List of Other Office and Facility Locations

<u>Type of Office or Facility</u>	<u>Address</u>	<u>City -</u>	<u>County</u>	<u>State</u>
Machining Facility	2000 East Highland Road	Highland	Oakland	MI
Metal Treating and Warehouse Facility	1150 S. Aiken Road	Owosso	Shiawassee	MI
Machining and Assembly Facility	360 Thelma Street	Sandusky	Sanilac	MI
Distribution and Warehouse Facility	28900 Wall Street	Wixom	Oakland	MI
Manufacturing Facility	2801 Woodhill Drive	Angola	Steuben	IN
Machining and Manufacturing (some office) Facility	7106 Crossroads Blvd.	Brentwood	Davidson	TN ✓

SECURITY AGREEMENT

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TRADEMARK

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## SCHEDULE 1(c)(i) TO SECURITY AGREEMENT

List of Inventory Locations

<u>Address</u>	<u>City</u>	<u>County</u>	<u>State</u>	<u>If Leased or Warehoused, Name and Address of Lessor/Warehouseman</u>
2000 East Highland Road	Highland	Oakland	MI	
1150 S. Aiken Road	Owosso	Shiawassee	MI	
360 Thelma Street	Sandusky	Sanilac	MI	
28900 Wall Street	Wixom	Oakland	MI	
2801 Woodhull Drive	Angola	Steuben	IN	
7106 Crossroads Blvd.	Brentwood	Davidson	TN	Buckley & Co. Air Park Business Center One 1420 Donnellson Pike Suite B1 Nashville, TN 37217

SECURITY AGREEMENT

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## SCHEDULE 1(c)(ii) TO SECURITY AGREEMENT

List of Machinery and Equipment Locations

<u>Address</u>	<u>City</u>	<u>County</u>	<u>State</u>	<u>If Leased or Warehoused, Name and Address of Lessor/Warehouseman</u>
2000 East Highland Road	Highland	Oakland	MI	
1150 S. Aiken Road	Owosso	Shiawassee	MI	
360 Thelma Street	Sandusky	Sanilac	MI	
28900 Wall Street	Wixom	Oakland	MI	
2801 Woodhull Drive	Angola	Steuben	IN	
7106 Crossroads Blvd.	Brentwood	Davidson	TN	Buckley & Co. Air Park Business Center One 1420 Donnellson Pike Suite B1 Nashville, TN 37217

SECURITY AGREEMENT

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TRADEMARK

REEL: 002314 FRAME: 0379

**SCHEDULE 1(k)(i) TO SECURITY AGREEMENT**

**PATENTS**

**PATENT NO.**

**6,614,323**

**6,053,198**

**5,992,461**

**4,765,385**

**4,742,841**

**4,073,311**

**4,000,684**

**3,952,619**

**3,817,562**

**5,595,413 (Application No. 08/355085)**

**5,560,281 (Application No. 08/414713)**

**TRADEMARK**

**REEL: 002314 FRAME: 0380**

**SCHEDULE 1(k)(ii) TO SECURITY AGREEMENT**

**COPYRIGHTS AND APPLICATIONS**

**COPYRIGHT NO.**

**TX-3-085-431 for a computer program called Numa-Cad.**

SCHEDULE 1(k)(iii) TO SECURITY AGREEMENT

TRADEMARKS

Mark

Reg/App No.

NUMATECH

75/818621 (pending)

DETROIT 7-2599 597934

TRADEMARK

RECORDED: 06/08/2001

REEL: 002314 FRAME: 0382