

01-28-2002
101962976

RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

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

Submission Type

- New 1-28-02
- Resubmission (Non-Recordation)
Document ID #
- Correction of PTO Error
Reel # Frame #
- Corrective Document
Reel # Frame #

Conveyance Type

- Assignment License
- Security Agreement Nunc Pro Tunc Assignment
- Merger Effective Date
Month Day Year
- Change of Name
- Other

Conveying Party

- Mark if additional names of conveying parties attached
- Execution Date
- Name
- 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

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

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"/>						
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See Schedule C attached hereto.

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.

Elizabeth A. Szklarz

10/31/01

Name of Person Signing

Signature

Date Signed

SCHEDULE C

INTELLECTUAL PROPERTY RIGHTS

U.S. Trademarks

Mark/Title	Registration Number	Registration Date
HEIFER – old	1,360,061	09/17/85
CALF – old	1,549,779	08/01/89
IMPLUS – H	1,751,786	02/09/93
IMPLUS – S	1,805,076	11/16/93
IMPLUS – C	2,012,137	10/29/96
IMPLUS EZ1	2,012,632	10/29/96
COMPONENT	2,133,283	01/27/98
COMPONENT ONE GUN	2,173,547	07/14/98
VETLIFE	1,865,145	11/29/94
MISC. DESIGN (TRIANGLE)	2,222,434	12/16/97
V NET	2,154,254	04/28/98
THE IMPLANT PROFESSIONALS	2,154,353	04/28/98
DESIGN (VETLIFE LOGO)	2,204,294	11/17/98
BENCHMARK	2,227,656	01/12/99
ENCORE	2,236,067	03/30/99
VETLIFE	2,265,267	07/27/99

Pending U.S. Trademarks

Mark/Title	Application Number	Application Date
DESIGN (color coding for trembolone acetate)	76/134,976	08/04/00
DESIGN (color coding for zeranol)	76/100,798	08/01/00
DESIGN (color coding for estradiol)	76/102,128	08/03/00
AGSPAN	76/042,243	05/05/00
BEEFLOGICS	76/042,028	05/05/00
BEEFSPAN	76/042,242	05/05/00
DAIRYSPAN	76/199/039	01/24/01
PORKSPAN	79/199,048	01/24/01
BENCHMARK@WORK	76/102,454	08/03/00
ETOOLS and Design	76/102,457	08/03/00

Foreign Trademarks

Mark/Title	Registration Number	Country
CALF-old	385,665	Canada
IMPLUS-H	438,977	Canada
IMPLUS-S	439,400	Canada
IMPLUS EZ1	458,562	Canada
COMPONENT	480,691	Canada
COMPONENT ONE GUN	481,168	Canada
IMPLUS C	487,395	Canada
COMPONENT	501,678	Chile
COMPONENT	111,007	Costa Rica
COMPONENT	565,237	Mexico
COMPONENT	97/04109	South Africa
COMPONENT	212,745	Paraguay
COMPONENT	302,876	Uruguay
VETLIFE	536,715	Canada

Pending Foreign Trademarks

Mark/Title	Application Number	Country
BENCHMARK@WORK	1084027	Canada
ETOOLS and Designs	1084028	Canada
COMPONENT	10835/98	Venezuela

U.S. Issued Patents

Title	Patent Number	Patent Date
MEDICAMENT IMPLANT APPLICATOR	4,447,223	05/08/84
MEDICAMENT IMPLANT APPLICATOR	4,531,538	07/30/85
MEDICAMENT IMPLANT APPLICATOR	4,576,591	03/18/86
MEDICAMENT IMPLANT APPLICATOR	4,762,515	08/09/88
IMPLANT APPLICATOR	4,936,827	06/20/90
IMPLANT APPLICATOR	4,946,035	08/07/90
SLIDE ACTION VETERINARY IMPLANTER	5,522,797	06/04/96
METAL TIP ATTACHMENT FOR PLASTIC NEEDLES	5,669,890	09/23/97
VETERINARY IMPLANTER WITH DISINFECTANT DISPENSER	5,817,054	10/06/98
PELLET IMPLANT SYSTEM	5,874,098	02/23/99
PNEUATICALLY OPERATED VETERINARY PELLET IMPLANTER	5,997,500	12/07/99

U.S. Issued Patents Cont'd

METHOD OF STIMULATING THE IMMUNE	5,234,683	
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SYSTEM		
BIOLOGICALLY-ACTIVE COPOLYMERS	5,114,708	
GROWTH PROMOTING COMPOSITIONS AND METHODS OF USE	5,824,322	
SYSTEM AND METHODS FOR INTERACTIVE BEEF CATTLE MARKETING	60/219544	07/20/00

U.S. Pending Patents

Title	Serial Number	Filing Date
PELLET IMPLANT SYSTEM FOR IMMEDIATE AND DELAYED RELEASE OF ANTIPARASITIC DRUG	09/163,646	09/30/98
GROWTH PROMOTING PHARMACEUTICAL IMPLANT	09/589,730	06/08/00
ON-LINE SYSTEM AND METHOD FOR ASSESSING LIVESTOCK PERFORMANCE AND CARCASS MERIT	09/665,085	09/20/00
ON-LINE SYSTEM AND METHOD FOR ASSESSING LIVESTOCK PERFORMANCE AND CARCASS MERIT	09/716,142	11/17/00

Foreign Issued Patents

Title	Patent Number	Country
PELLET IMPLANT SYSTEM FOR IMMEDIATE AND DELAYED RELEASE OF ANTIPARASITIC DRUG (AVERMECTIN GROUP OF KENISON ET AL.)	6060/99	South Africa
PNEUMATICALLY OPERATED VETERINARY PELLET IMPLANTER (COOK, ET AL.)	4487/99	South Africa
BIOLOGICALLY-ACTIVE COPOLYMERS	596,986	Australia
	1,279,822	Canada
	36,564	Chile
	96,104,742	China
	556	Spain
	176,179	Mexico
	864,556	South Africa
USE OF BIOLOGICALLY ACTIVE COPOLYMERS FOR THE USE OF MANUFACTURE OF A MEDICAMENT FOR STIMULATING THE GROWTH OF AN ANIMAL	228,448	Germany
	228,448	EPO
	228,448	France
	228,448	United Kingdom
	228,448	Netherlands

Foreign Pending Patents

Title	Serial Number	Country
PELLET IMPLANT SYSTEM (ANTIBIOTIC WITH OTHER ACTIVE AGENT OF STEVENS, ET AL.)	P980106361	Argentina
	96973/98	Australia
	08/864,439	Brazil
	2,245,424	Canada
	98320155.1	Europe (Bel., G.B., Ger., FR., IT., SP.,)
PELLET IMPLANT SYSTEM FOR IMMEDIATE AND DELAYED RELEASE OF ANTIPARASITIC DRUG (AVERMECTIN GROUP OF KENISON ET AL.)	P990104912	Argentina
	48737/99	Australia
	PI9904379-3	Brazil
	2283054	Canada
	99307736.1	Europe (Bel., G.B., Ger., FR., IT., SP., Nthld.)
PHEUMATICALLY OPERATED VETERINARY PELLET IMPLANTER (COOK, ET AL.)	4107/99	Australia
	2,278,267	Canada
GROWTH PROMOTING PHARMACEUTICAL IMPLANT (KENISON AND ZOLLERS)	PZ010102700	Argentina
	P10102314-4	Brazil
	2347316	Canada
	01304955.6	Europe (Bel., G.B., Ger., FR., IT., SP., Nthld.)
	4472/01	South Africa
	Serial #	Status/Country
	503273.013	Mailed/Canada
ON-LINE SYSTEM AND METHOD FOR ASSESSING LIVESTOCK PERFORMANCE AND CARCASS MERIT		

D\$

FORM PTO-1073A
Expires 06/30/99
OMB 0651-0027



11-07-2001



101894387

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

RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

11-2-01

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Submission Type

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

Conveyance Type

- Assignment License
- Security Agreement Nunc Pro Tunc Assignment
- Merger
Effective Date
Month Day Year
10/17/01
- Change of Name
- Other _____

Conveying Party

Mark if additional names of conveying parties attached

Name Ivy Animal Health, Inc.

Execution Date
Month Day Year
10/17/01

Formerly _____

- Individual General Partnership Limited Partnership Corporation Association
- Other _____
- Citizenship/State of Incorporation/Organization Delaware

Receiving Party

Mark if additional names of receiving parties attached

Name Harris Trust and Savings Bank

DBA/AKA/TA _____

Composed of _____

Address (line 1) 111 West Monroe Street

Address (line 2) _____

Address (line 3) Chicago

Illinois

60603

City

State/Country

Zip Code

- Individual General Partnership Limited Partnership
- Corporation Association
- Other Illinois banking corporation
- Citizenship/State of Incorporation/Organization Illinois

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

11/06/2001

AWNEB1 00000055 1360061

40.00 OP
625.00 OP

01 FC:481
02 FC:482

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Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20231

00001181

Refund Ref: AWNEB1
11/06/2001

\$25.00

CHECK Refund Total:

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)

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Mark if additional numbers attached

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Trademark Application Number(s)

Registration Number(s)

See Schedule C attached hereto.

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.

Elizabeth A. Szklarz

Name of Person Signing

Elizabeth A. Szklarz

Signature

10/31/01

Date Signed



IVY ANIMAL HEALTH, INC.
SECURITY AGREEMENT

This Security Agreement (the "*Agreement*") is dated as of October 17, 2001, among the undersigned, Ivy Animal Health, Inc., a Delaware corporation (the "*Borrower*"), (the Borrower, along with any parties who execute and deliver to the Secured Party referred to herein an agreement attached hereto as Schedule F, being hereinafter referred to collectively as the "*Debtors*" and individually as a "*Debtor*"), each with its mailing address as set forth on the signature page hereto or on the agreement attached hereto as Exhibit F, as the case may be, and Harris Trust and Savings Bank, an Illinois banking corporation (the "*Secured Party*"), with its mailing address as set forth in Section 12(b) hereof. The term "Debtor" and "Debtors" as used herein shall mean and include the Debtors collectively and also each individually, with all grants, representations, warranties and covenants of and by the Debtors, or any of them, herein contained to constitute joint and several grants, representations, warranties and covenants of and by the Debtors; *provided, however*, that unless the context in which the same is used shall otherwise require, any grant, representation, warranty or covenant contained herein related to the Collateral shall be made by each Debtor only with respect to the Collateral owned by it or represented by such Debtor as owned by it.

PRELIMINARY STATEMENT

A. The Borrower and the Secured Party have entered into a Credit Agreement of even date herewith (the Credit Agreement, as the same may be amended or modified from time to time, including amendments and restatements thereof in its entirety, being referred to herein as the "*Credit Agreement*"; terms used herein and not otherwise defined herein are used as defined in the Credit Agreement) pursuant to which the Secured Party may from time to time extend credit or otherwise make financial accommodations available to or for the account of the Borrower.

B. The Debtors (other than the Borrower) are subsidiaries of the Borrower who owns 100 percent of the equity interests of such Debtors.

C. As a condition to extending credit or otherwise making financial accommodations available to or for the account of the Borrower, the Secured Party requires, among other things, that each Debtor grant the Secured Party a security interest in such Debtor's personal property described herein subject to the terms and conditions hereof.

NOW, THEREFORE, in consideration of the benefits accruing to the Debtors, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. *Grant of Security Interest.* Each Debtor hereby grants to the Secured Party a lien on and security interest in, and acknowledges and agrees that the Secured Party has and shall continue to have a continuing lien on and security interest in, all right, title and interest, whether

now owned or existing or hereafter created, acquired or arising, in and to all personal property of such Debtor, including all of the following:

- (a) Accounts;
- (b) Chattel Paper;
- (c) Instruments (including Promissory Notes);
- (d) Documents;
- (e) General Intangibles (including Payment Intangibles and Software);
- (f) Letter-of-Credit Rights;
- (g) Supporting Obligations;
- (h) Deposit Accounts;
- (i) Investment Property (including certificated and uncertificated Securities, Securities Accounts, Security Entitlements, Commodity Accounts, and Commodity Contracts);
- (j) Inventory;
- (k) Equipment (including all software, whether or not the same constitutes embedded software, used in the operation thereof);
- (l) Fixtures;
- (m) All rights to merchandise and other Goods (including rights to returned or repossessed Goods and rights of stoppage in transit) which is represented by, arises from, or relates to any of the foregoing;
- (n) All personal property and interests in personal property of such Debtor of any kind or description now held by the Secured Party or at any time hereafter transferred or delivered to, or coming into the possession, custody, or control of, the Secured Party, or any agent or affiliate of the Secured Party, whether expressly as collateral security or for any other purpose (whether for safekeeping, custody, collection or otherwise), and all dividends and distributions on or other rights in connection with any such property;
- (o) All supporting evidence and documents relating to any of the above-described property, including, without limitation, computer programs, disks, tapes and related electronic data processing media, and all rights of such Debtor to retrieve the same from third parties, written applications, credit information, account cards, payment records, correspondence, delivery and installation certificates, invoice copies, delivery

receipts, notes, and other evidences of indebtedness, insurance certificates and the like, together with all books of account, ledgers, and cabinets in which the same are reflected or maintained;

(p) All Accessions and additions to, and substitutions and replacements of, any and all of the foregoing; and

(q) All Proceeds and products of the foregoing, and all insurance of the foregoing and proceeds thereof;

all of the foregoing being herein sometimes referred to as the "*Collateral*". All terms which are used in this Agreement which are defined in the Uniform Commercial Code of the State of Illinois as in effect from time to time ("*UCC*") shall have the same meanings herein as such terms are defined in the UCC, unless this Agreement shall otherwise specifically provide. For purposes of this Agreement, the term "*Receivables*" means all rights to the payment of a monetary obligation, whether or not earned by performance, and whether evidenced by an Account, Chattel Paper, Instrument, General Intangible, or otherwise.

2. *Obligations Hereby Secured.* The lien and security interest herein granted and provided for is made and given to secure, and shall secure, the payment and performance of (a) any and all indebtedness, obligations, and liabilities of whatsoever kind and nature of the Debtors, and any of them, to the Secured Party (whether arising before or after the filing of a petition in bankruptcy), whether direct or indirect, absolute or contingent, due or to become due, and whether now existing or hereafter arising and howsoever held, evidenced, or acquired, and whether several, joint, or joint and several and (b) any and all expenses and charges, legal or otherwise, suffered or incurred by the Secured Party in collecting or enforcing any of such indebtedness, obligations, or liabilities or in realizing on or protecting or preserving any security therefor, including, without limitation, the lien and security interest granted hereby (all of the foregoing being hereinafter referred to as the "*Obligations*"). Notwithstanding anything in this Agreement to the contrary, the right of recovery against any Debtor (other than the Borrower to which this limitation shall not apply) under this Agreement shall not exceed \$1.00 less than the lowest amount which would render such Debtor's obligations under this Agreement void or voidable under applicable law, including fraudulent conveyance law.

3. *Covenants, Agreements, Representations and Warranties.* The Debtors hereby covenant and agree with, and represents and warrants to, the Secured Party that:

(a) Each Debtor is duly organized and validly existing in good standing under the laws of the state of its organization. No Debtor shall change its state of organization without the Secured Party's prior written consent. Each Debtor is the sole and lawful owner of its Collateral, and has full right, power, and authority to enter into this Agreement and to perform each and all of the matters and things herein provided for. Each Debtor's organizational registration number (if any) is set forth under its name under Column 1 on Schedule A.

(b) Each Debtor's respective chief executive office is at the location listed under Column 2 on Schedule A attached hereto opposite such Debtor's name; and such Debtor has no

other executive offices or places of business other than those listed under Column 3 on *Schedule A* attached hereto opposite such Debtor's name. The Collateral (including Inventory on consignment) owned or leased by each Debtor is and shall remain in such Debtor's possession or control at the locations listed under Columns 2 and 3 on *Schedule A* attached hereto opposite such Debtor's name (collectively for each Debtor, the "*Permitted Collateral Locations*"), except for Collateral which in the ordinary course of such Debtor's business is in transit between Permitted Collateral Locations. If for any reason any Collateral is at any time kept or located at a location other than a Permitted Collateral Location, the Secured Party shall nevertheless have and retain a lien on and security interest therein. The Debtors own and shall at all times own all Permitted Collateral Locations, except to the extent otherwise disclosed under Columns 2 and 3 on *Schedule A*. No Debtor shall move its chief executive office or maintain a place of business at a location other than those specified under Columns 2 or 3 on *Schedule A* or permit the Collateral to be located at a location other than those specified under Item 2 on *Schedule A*, in each case without first providing the Secured Party 30 days' prior written notice of such Debtor's intent to do so; *provided* that each Debtor shall at all times maintain its chief executive office and, unless otherwise specifically agreed to in writing by the Secured Party, Permitted Collateral Locations in the United States of America and, with respect to any new chief executive office or place of business or location of Collateral, such Debtor shall have taken all action reasonably requested by the Secured Party to maintain the lien and security interest of the Secured Party in the Collateral at all times fully perfected and in full force and effect.

(c) Each Debtor's legal name and state of organization is correctly set forth under Column 1 on *Schedule A* of this Agreement. No Debtor has transacted business at any time during the immediately preceding five-year period, and does not currently transact business, under any other legal names or trade names other than the prior legal names and trade names (if any) set forth on *Schedule B* attached hereto. No Debtor shall change its legal name or transact business under any other trade name without first giving 30 days' prior written notice of its intent to do so to the Secured Party.

(d) The Collateral and every part thereof is and shall be free and clear of all security interests, liens (including, without limitation, mechanics', laborers' and statutory liens), attachments, levies, and encumbrances of every kind, nature and description, whether voluntary or involuntary, except for the lien and security interest of the Secured Party therein and as otherwise permitted by Section 8.8 of the Credit Agreement. Each Debtor shall warrant and defend the Collateral against any claims and demands of all persons at any time claiming the same or any interest in the Collateral adverse to the Secured Party.

(e) Each Debtor shall promptly pay when due all taxes, assessments, and governmental charges and levies upon or against such Debtor or any of its Collateral, in each case before the same become delinquent and before penalties accrue thereon, unless and to the extent that the same are being contested in good faith by appropriate proceedings which prevent foreclosure or other realization upon any of the Collateral and preclude interference with the operation of such Debtor's business in the ordinary course, and such Debtor shall have established adequate reserves therefor.

(f) Subject to Sections 4(b), 6(b), 6(c), and 7(c) hereof, no Debtor shall, without the Secured Party's prior written consent, sell, assign, mortgage, lease, or otherwise dispose of the Collateral or any interest therein.

(g) The Debtors shall at all times insure the Collateral consisting of tangible personal property against such risks and hazards as other persons similarly situated insure against, and including in any event loss or damage by fire, theft, burglary, pilferage, loss in transit and such other hazards as the Secured Party may reasonably specify. All insurance required hereby shall be maintained in amounts and under policies and with insurers reasonably acceptable to the Secured Party, and all such policies shall contain loss payable clauses naming the Secured Party as loss payee as its interest may appear (and, if the Secured Party requests, naming the Secured Party as an additional insured therein) in a form reasonably acceptable to the Secured Party. All premiums on such insurance shall be paid by the Debtors. Certificates of insurance evidencing compliance with the foregoing and, at the Secured Party's request, the policies of such insurance shall be delivered by the Debtors to the Secured Party. All insurance required hereby shall provide that any loss shall be payable to the Secured Party notwithstanding any act or negligence of any Debtor, shall provide that no cancellation thereof shall be effective until at least 30 days after receipt by the relevant Debtor and the Secured Party of written notice thereof, and shall be reasonably satisfactory to the Secured Party in all other respects. In case of any material loss, damage to or destruction of the Collateral or any part thereof, the relevant Debtor shall promptly give written notice thereof to the Secured Party generally describing the nature and extent of such damage or destruction. In case of any loss, damage to or destruction of the Collateral or any part thereof, the relevant Debtor, at such Debtor's cost and expense, shall promptly repair or replace the Collateral so lost, damaged, or destroyed, except to the extent such Collateral, prior to its loss, damage, or destruction, had become uneconomical, obsolete, or worn out and is not necessary for, or of importance to, the proper conduct of such Debtor's business in the ordinary course. In the event any Debtor shall receive any proceeds of such insurance in an aggregate amount in excess of \$25,000, such Debtor shall immediately pay over such proceeds to the Secured Party. Each Debtor hereby authorizes the Secured Party, at the Secured Party's option, to adjust, compromise, and settle any losses under any insurance afforded at any time during the existence of any Event of Default, and each Debtor does hereby irrevocably constitute the Secured Party, and each of its nominees, officers, agents, attorneys, and any other person whom the Secured Party may designate, as such Debtor's attorneys-in-fact, with full power and authority to effect such adjustment, compromise, and/or settlement and to endorse any drafts drawn by an insurer of the Collateral or any part thereof and to do everything necessary to carry out such purposes and to receive and receipt for any unearned premiums due under policies of such insurance. Unless the Secured Party elects to adjust, compromise, or settle losses as aforesaid, any adjustment, compromise, and/or settlement of any losses under any insurance shall be made by the relevant Debtor subject to final approval of the Secured Party (regardless of whether or not an Event of Default shall have occurred) in the case of losses exceeding \$250,000. Net insurance proceeds received by the Secured Party under the provisions hereof or under any policy of insurance covering the Collateral or any part thereof shall be applied to the reduction of the Obligations (whether or not then due); *provided, however*, that the Secured Party agrees to release such insurance proceeds to the relevant Debtor for replacement or restoration of the portion of the Collateral lost, damaged, or destroyed if, but only if, (i) at the time of release no Event of Default exists, (ii) written application for such release is received by the Secured

Party from such Debtor within 30 days of receipt of such proceeds, and (iii) the Secured Party has received evidence reasonably satisfactory to it that the Collateral lost, damaged or destroyed has been or will be replaced or restored to its condition immediately prior to the loss, destruction or other event giving rise to the payment of such insurance proceeds. All insurance proceeds shall be subject to the lien and security interest of the Secured Party hereunder.

UNLESS THE DEBTORS PROVIDE THE SECURED PARTY WITH EVIDENCE OF THE INSURANCE COVERAGE REQUIRED BY THIS AGREEMENT, THE SECURED PARTY MAY PURCHASE INSURANCE AT THE DEBTORS' EXPENSE TO PROTECT THE SECURED PARTY'S INTERESTS IN THE COLLATERAL. THIS INSURANCE MAY, BUT NEED NOT, PROTECT THE DEBTORS' INTERESTS IN THE COLLATERAL. THE COVERAGE PURCHASED BY THE SECURED PARTY MAY NOT PAY ANY CLAIMS THAT ANY DEBTOR MAKES OR ANY CLAIM THAT IS MADE AGAINST ANY DEBTOR IN CONNECTION WITH THE COLLATERAL. THE RELEVANT DEBTOR MAY LATER CANCEL ANY SUCH INSURANCE PURCHASED BY THE SECURED PARTY, BUT ONLY AFTER PROVIDING THE SECURED PARTY WITH EVIDENCE THAT SUCH DEBTOR HAS OBTAINED INSURANCE AS REQUIRED BY THIS AGREEMENT. IF THE SECURED PARTY PURCHASES INSURANCE FOR THE COLLATERAL, THE DEBTORS WILL BE RESPONSIBLE FOR THE COSTS OF THAT INSURANCE, INCLUDING INTEREST AND ANY OTHER CHARGES THAT THE SECURED PARTY MAY IMPOSE IN CONNECTION WITH THE PLACEMENT OF THE INSURANCE, UNTIL THE EFFECTIVE DATE OF THE CANCELLATION OR EXPIRATION OF THE INSURANCE. THE COSTS OF THE INSURANCE MAY BE ADDED TO THE OBLIGATIONS SECURED HEREBY. THE COSTS OF THE INSURANCE MAY BE MORE THAN THE COST OF INSURANCE THE DEBTORS MAY BE ABLE TO OBTAIN ON ITS OWN.

(h) If any Collateral is in the possession or control of any of any Debtor's consignees, agents or processors and the Secured Party so requests, such Debtor agrees to notify such consignees, agents or processors in writing of the Secured Party's security interest therein and instruct them to hold all such Collateral for the Secured Party's account and subject to the Secured Party's instructions. Each Debtor shall, upon the request of the Secured Party, authorize and instruct all bailees and other parties, if any, at any time processing, labeling, packaging, holding, storing, shipping, or transferring all or any part of the Collateral to permit the Secured Party and its representatives to examine and inspect any of the Collateral then in such party's possession and to verify from such party's own books and records any information concerning the Collateral or any part thereof which the Secured Party or its representatives may seek to verify. As to any premises not owned by a Debtor wherein any of the Collateral is located, the relevant Debtor shall, at the Secured Party's request, use reasonable commercial efforts to cause each party having any right, title or interest in, or lien on, any of such premises to enter into an agreement in the form attached as Exhibit A hereto or such other form (any such agreement to contain a legal description of such premises) whereby such party disclaims any right, title and interest in, and lien on, the Collateral and allows the removal of such Collateral by the Secured Party and is otherwise in form and substance reasonably acceptable to the Secured Party.

(i) Each Debtor agrees from time to time to deliver to the Secured Party such evidence of the existence, identity, and location of its Collateral and of its availability as collateral security pursuant hereto (including, without limitation, schedules describing all Receivables created or acquired by such Debtor, copies of customer invoices or the equivalent, and original shipping or delivery receipts for all merchandise and other goods sold or leased or services rendered,

together with such Debtor's warranty of the genuineness thereof, and reports stating the book value of Inventory and Equipment by major category and location), in each case as the Secured Party may reasonably request. The Secured Party shall have the right to verify all or any part of the Collateral in any manner, and through any medium, which the Secured Party considers appropriate, and each Debtor agrees to furnish all assistance and information, and perform any acts, which the Secured Party may reasonably require in connection therewith, *provided* that in the absence of an Event of Default the Secured Party shall not contact any Debtor's customers without such Debtor's prior written consent. Each Debtor shall promptly notify the Secured Party of any Collateral which such Debtor has determined to have been rendered obsolete, stating the prior book value of such Collateral, its type and location.

(j) Schedule C attached hereto contains a true, complete, and current listing of all copyrights, copyright applications, trademarks, trademark rights, tradenames, patents, patent rights or licenses, patent applications and other intellectual property rights owned by each of the Debtors that are registered with any governmental authority. The Debtors shall promptly notify the Secured Party in writing of any additional intellectual property rights acquired or arising after the date hereof, and shall submit to the Secured Party a supplement to Schedule C to reflect such additional rights (provided any Debtor's failure to do so shall not impair the Secured Party's security interest therein). Each Debtor owns or possesses rights to use all franchises, licenses, copyrights, copyright applications, patents, patent rights or licenses, patent applications, trademarks, trademark rights, trade names, trade name rights, copyrights and rights with respect to the foregoing which are required to conduct its business. No event has occurred which permits, or after notice or lapse of time or both would permit, the revocation or termination of any such rights, and the Debtors are not liable to any person for infringement under applicable law with respect to any such rights as a result of its business operations.

(k) Each Debtor agrees to execute and deliver to the Secured Party such further agreements, assignments, instruments, and documents and to do all such other things as the Secured Party may reasonably deem necessary or appropriate to assure the Secured Party its lien and security interest hereunder, including, without limitation, (i) such financing statements, and amendments thereof or supplements thereto, and such other instruments and documents as the Secured Party may from time to time reasonably require in order to comply with the UCC and any other applicable law, (ii) such patent, trademark, and copyright assignment agreements as the Secured Party may from time to time reasonably require to comply with the filing requirements of the United States Patent and Trademark Office and the United States Copyright Office, and (iii) such control agreements with respect to all Deposit Accounts, Securities Accounts, Letter-of-Credit Rights, and electronic Chattel Paper, and to use commercially reasonable efforts to cause the relevant depository institutions, financial intermediaries, and letter of credit issuers to execute and deliver such control agreements, as the Secured Party may from time to time reasonably require. Each Debtor hereby agrees that a carbon, photographic, or other reproduction of this Agreement or any such financing statement is sufficient for filing as a financing statement by the Secured Party without notice thereof to such Debtor wherever the Secured Party in its sole discretion desires to file the same. Each Debtor hereby authorizes the Secured Party to file any and all financing statements covering the Collateral or any part thereof as the Secured Party may require, including financing statements describing the Collateral as "all assets" or "all personal property" or words of like meaning. The Secured Party may order lien

searches from time to time against each Debtor and the Collateral, and the Debtor shall promptly reimburse the Secured Party for all reasonable costs and expenses incurred in connection with such lien searches; *provided, that*, so long as there exists no Event of Default, the Secured Party may only order one such set of lien searches per year. In the event for any reason the law of any jurisdiction other than Illinois becomes or is applicable to the Collateral or any part thereof, or to any of the Obligations, each Debtor agrees to execute and deliver all such instruments and documents and to do all such other things as the Secured Party in its sole discretion deems necessary or appropriate to preserve, protect, and enforce the lien and security interest of the Secured Party under the law of such other jurisdiction. Each Debtor agrees to mark its books and records to reflect the lien and security interest of the Secured Party in the Collateral.

(1) On failure of any Debtor to perform any of the covenants and agreements herein contained, the Secured Party may, at its option, perform the same and in so doing may expend such sums as the Secured Party may reasonably deem advisable in the performance thereof, including, without limitation, the payment of any insurance premiums, the payment of any taxes, liens, and encumbrances, expenditures made in defending against any adverse claims, and all other expenditures which the Secured Party may be compelled to make by operation of law or which the Secured Party may make by agreement or otherwise for the protection of the security hereof. All such sums and amounts so expended shall be repayable by the relevant Debtor immediately without notice or demand, shall constitute additional Obligations secured hereunder and shall bear interest from the date said amounts are expended at the rate per annum (computed on the basis of a 360-day year for the actual number of days elapsed) determined by adding 2.0% to the rate per annum from time to time announced by Harris Trust and Savings Bank as its prime commercial rate with any change in such rate per annum as so determined by reason of a change in such prime commercial rate to be effective on the date of such change in said prime commercial rate (such rate per annum as so determined being hereinafter referred to as the "*Default Rate*"). No such performance of any covenant or agreement by the Secured Party on behalf of any Debtor, and no such advancement or expenditure therefor, shall relieve the Debtor of any default under the terms of this Agreement or in any way obligate the Secured Party to take any further or future action with respect thereto. The Secured Party, in making any payment hereby authorized, may do so according to any bill, statement, or estimate procured from the appropriate public office or holder of the claim to be discharged without inquiry into the accuracy of such bill, statement, or estimate or into the validity of any tax assessment, sale, forfeiture, tax lien, or title or claim. The Secured Party, in performing any act hereunder, shall be the sole judge of whether any Debtor is required to perform same under the terms of this Agreement. The Secured Party is hereby authorized to charge any account of the relevant Debtor maintained with the Secured Party for the amount of such sums and amounts so expended. For the avoidance of doubt, any amount owed by the Borrower pursuant to this Section 3(1) shall be without duplication of the Obligations.

4. *Special Provisions Re: Receivables.*

(a) As of the time any Receivable owned by a Debtor becomes subject to the security interest provided for hereby, and at all times thereafter, such Debtor shall be deemed to have warranted as to each and all of such Receivables that all warranties of such Debtor set forth in this Agreement are true and correct with respect to each such Receivable; that each Receivable

and all papers and documents relating thereto are genuine and in all respects what they purport to be; that each Receivable is valid and subsisting; that no such Receivable is evidenced by any Instrument or Chattel Paper unless such Instrument or Chattel Paper has theretofore been endorsed by such Debtor and delivered to the Secured Party (except to the extent the Secured Party specifically requests in writing that such Debtor not do so with respect to any such Instrument or Chattel Paper); that no surety bond was required or given in connection with such Receivable or the contracts or purchase orders out of which the same arose; that the amount of the Receivable represented as owing is the correct amount actually and unconditionally owing, except for discounts and rebates in the ordinary course of business; and that the amount of such Receivable represented as owing is not disputed and is not subject to any set-offs, credits, deductions, or countercharges other than those arising in the ordinary course of such Debtor's business which are disclosed to the Secured Party in writing promptly upon such Debtor becoming aware thereof. Without limiting the foregoing, if any Receivable arises out of a contract with the United States of America, or any state or political subdivision thereof, or any department, agency, or instrumentality of any of the foregoing, each Debtor agrees to notify the Secured Party and, at the Secured Party's request, execute whatever instruments and documents are required by the Secured Party in order that such Receivable shall be assigned to the Secured Party and that proper notice of such assignment shall be given under the federal Assignment of Claims Act (or any successor statute) or any similar state or local statute, as the case may be.

(b) Unless and until an Event of Default occurs and is continuing, any merchandise or other goods which are returned by a customer or account debtor or otherwise recovered may be resold by a Debtor in the ordinary course of its business in accordance with Section 6(b) hereof; and, during the existence of any Event of Default, such merchandise and other goods shall be set aside at the request of the Secured Party and held by the relevant Debtor as trustee for the Secured Party and shall remain part of the Secured Party's Collateral. Unless and until an Event of Default occurs and is continuing, the Debtors may settle and adjust disputes and claims with their respective customers and account debtors, handle returns and recoveries, and grant discounts, credits, rebates and allowances in the ordinary course of its business for amounts and on terms which the relevant Debtor in good faith considers advisable; and, during the existence of any Event of Default, at the Secured Party's request, the Debtors shall notify the Secured Party promptly of all returns and recoveries and, on the Secured Party's written request, deliver any such merchandise or other goods to the Secured Party. During the existence of any Event of Default, at the Secured Party's request, the Debtor shall also notify the Secured Party promptly of all disputes and claims and settle or adjust them at no expense to the Secured Party, but no discount, credit, or allowance other than on normal trade terms in the ordinary course of business shall be granted to any customer or account debtor and no returns of merchandise or other goods shall be accepted by any Debtor without the Secured Party's written consent. The Secured Party may, at all times during the existence of any Event of Default, settle or adjust disputes and claims directly with customers or account debtors for amounts and upon terms which the Secured Party considers advisable.

(c) Subject to Section 4.1 of the Credit Agreement, unless delivered to the Secured Party or its agent, all tangible Chattel Paper and Instruments shall contain a legend acceptable to the Secured Party indicating that such Chattel Paper or Instrument is subject to the security

interest of the Secured Party contemplated by this Agreement or, in the case of checks and other Instruments, promptly deposited in a Deposit Account maintained by such Debtor.

5. *Collection of Receivables.*

(a) Except as otherwise provided in this Agreement, the Debtors shall make collection of all Receivables and may use the same to carry on its business in accordance with sound business practice and otherwise subject to the terms hereof.

(b) Upon the occurrence and during the continuance of any Event of Default, whether or not the Secured Party has exercised any or all of its rights under other provisions of this Section 5, in the event the Secured Party requests any Debtor to do so:

(i) all Instruments and Chattel Paper at any time constituting part of the Receivables or any other Collateral (including any postdated checks) shall, upon receipt by such Debtor, be promptly endorsed to and deposited with the Secured Party; and/or

(ii) such Debtor shall instruct all customers and account debtors to remit all payments in respect of Receivables or any other Collateral to a lockbox or lockboxes under the sole custody and control of the Secured Party and which are maintained at post office(s) in Chicago, Illinois selected by the Secured Party.

(c) Upon the occurrence and during the continuance of any Event of Default, whether or not the Secured Party has exercised any or all of its rights under other provisions of this Section 5, the Secured Party or its designee may notify the Debtors' customers and account debtors at any time that Receivables or any other Collateral have been assigned to the Secured Party or of the Secured Party's security interest therein, and either in its own name, or the relevant Debtor's name, or both, demand, collect (including, without limitation, through a lockbox analogous to that described in Section 5(b)(ii) hereof), receive, receipt for, sue for, compound, and give acquittance for any or all amounts due or to become due on Receivables or any other Collateral, and in the Secured Party's discretion file any claim or take any other action or proceeding which the Secured Party may deem reasonably necessary or appropriate to protect or realize upon the security interest of the Secured Party in the Receivables or any other Collateral.

(d) Any proceeds of Receivables or other Collateral transmitted to or otherwise received by the Secured Party pursuant to any of the provisions of Sections 5(b) or 5(c) hereof may be handled and administered by the Secured Party in and through a remittance account at the Secured Party, and the Debtors acknowledge that the maintenance of such remittance account by the Secured Party is solely for the Secured Party's convenience and that the Debtors do not have any right, title, or interest in such remittance account or any amounts at any time standing to the credit thereof. The Secured Party may, after the occurrence and during the continuation of any Event of Default, apply all or any part of any proceeds of Receivables or other Collateral received by it from any source to the payment of the Obligations (whether or not then due and payable), such applications to be made in such amounts, in such manner and order and at such intervals as the Secured Party may from time to time in its discretion determine, but not less

often than once each week. The Secured Party need not apply or give credit for any item included in proceeds of Receivables or other Collateral until the Secured Party has received final payment therefor at its office in cash or final solvent credits current in Chicago, Illinois, acceptable to the Secured Party as such. However, if the Secured Party does give credit for any item prior to receiving final payment therefor and the Secured Party fails to receive such final payment or an item is charged back to the Secured Party for any reason, the Secured Party may at its election in either instance charge the amount of such item back against the remittance account or any account of the relevant Debtor maintained with the Secured Party, together with interest thereon at the Default Rate. Concurrently with each transmission of any proceeds of Receivables or other Collateral to the remittance account, each Debtor shall furnish the Secured Party with a report in such form as the Secured Party shall reasonably require identifying the particular Receivable or other Collateral from which the same arises or relates. Unless and until an Event of Default shall have occurred and be continuing, the Secured Party will release to the applicable Debtor the proceeds of Collateral which the Secured Party has not applied to the Obligations as provided above from the remittance account from time to time promptly after receipt thereof. Each Debtor hereby indemnifies the Secured Party from and against all liabilities, damages, losses, actions, claims, judgments, costs, expenses, charges and reasonable attorneys' fees suffered or incurred by the Secured Party because of the maintenance of the foregoing arrangements; *provided, however*, that no Debtor shall be required to indemnify the Secured Party for any of the foregoing to the extent they arise solely from the gross negligence or willful misconduct of the Secured Party. The Secured Party shall have no liability or responsibility to any Debtor for accepting any check, draft or other order for payment of money bearing the legend "payment in full" or words of similar import or any other restrictive legend or endorsement whatsoever or be responsible for determining the correctness of any remittance.

6. *Special Provisions Re: Inventory and Equipment.*

(a) Each Debtor shall at its own cost and expense maintain, keep and preserve the Inventory in good and merchantable condition and keep and preserve the Equipment in good repair, working order and condition, ordinary wear and tear excepted, and, without limiting the foregoing, make all necessary and proper repairs, replacements and additions to the Equipment so that the efficiency thereof shall be fully preserved and maintained; *provided*, that the foregoing shall not apply to the Inventory and Equipment that the applicable Debtor has determined is no longer necessary or desirable in the conduct of the Debtor's business.

(b) Each Debtor may, until an Event of Default has occurred and is continuing and thereafter until otherwise notified in writing by the Secured Party, use, consume and sell the Inventory in the ordinary course of its business, but a sale in the ordinary course of business shall not under any circumstance include any transfer or sale in satisfaction, partial or complete, of a debt owing by such Debtor, except sales pursuant to the Sale and Transfer Agreement dated as of July 25, 2001 between the Borrower and Elanco Animal Health.

(c) Each Debtor may, until an Event of Default has occurred and is continuing and thereafter until otherwise notified in writing by the Secured Party, sell or otherwise dispose of Equipment to the extent permitted by Section 8.10 of the Credit Agreement.

(d) As of the time any Inventory or Equipment becomes subject to the security interest provided for hereby and at all times thereafter, the relevant Debtor shall be deemed to have warranted as to any and all of such Inventory and Equipment that all warranties of such Debtor set forth in this Agreement are true and correct with respect to such Inventory and Equipment; that all of such Inventory and Equipment is located at a location set forth pursuant to Section 3(b) hereof; and that, in the case of Inventory, such Inventory is new and unused and in good and merchantable condition. Each Debtor warrants and agrees that no Inventory owned by it or will be consigned to any other person without the Secured Party's prior written consent.

(e) Subject to Section 4.1 of the Credit Agreement and the Secured Party's written request, each Debtor shall at its own cost and expense cause the lien of the Secured Party in and to any portion of the Collateral subject to a certificate of title law to be duly noted on such certificate of title or to be otherwise filed in such manner as is prescribed by law in order to perfect such lien and shall cause all such certificates of title and evidences of lien to be deposited with the Secured Party.

(f) Except for Equipment from time to time located on the real estate described on Schedule D attached hereto and as otherwise disclosed to the Secured Party in writing, none of the Equipment is or will be attached to real estate in such a manner that the same may become a fixture.

(g) If any of the Inventory is at any time evidenced by a document of title, such document shall be promptly delivered by the relevant Debtor to the Secured Party except to the extent the Secured Party specifically requests such Debtor not to do so with respect to any such document, *provided* that so long as no Event of Default shall have occurred and be continuing the Debtors need not deliver to the Secured Party such documents of title evidencing Inventory having an aggregate value of less than \$100,000.

Section 7. Special Provisions Re: Investment Property and Deposits.

(a) Unless and until an Event of Default has occurred and is continuing and thereafter until notified to the contrary by the Secured Party pursuant to Section 9(d) hereof:

(i) the Debtors shall be entitled to exercise all voting and/or consensual powers pertaining to the Investment Property or any part thereof, for all purposes not inconsistent with the terms of this Agreement or any other document evidencing or otherwise relating to any Obligations; and

(ii) the Debtors shall be entitled to receive and retain all cash dividends paid upon or in respect of the Investment Property.

(b) All Investment Property of the Debtor (including all securities, certificated or uncertificated, securities accounts, and commodity accounts) is listed and identified on Schedule E attached hereto and made a part hereof. Each Debtor shall promptly notify the Secured Party of any other Investment Property acquired or maintained by such Debtor after the date hereof, and shall submit to the Secured Party a supplement to Schedule E to reflect such

additional rights (provided such Debtor's failure to do so shall not impair the Secured Party's security interest therein). Certificates for all certificated securities now or at any time constituting Investment Property shall be promptly delivered by the Debtors to the Secured Party duly endorsed in blank for transfer or accompanied by an appropriate assignment or assignments or an appropriate undated stock power or powers, in every case sufficient to transfer title thereto, including, without limitation, all stock received in respect of a stock dividend or resulting from a split-up, revision, or reclassification of the Investment Property or any part thereof or received in addition to, in substitution of, or in exchange for the Investment Property or any part thereof as a result of a merger, consolidation, or otherwise. With respect to any uncertificated securities or any Investment Property held by a securities intermediary, commodity intermediary, or other financial intermediary of any kind, unless the Secured Party requests in writing otherwise, the Debtors shall execute and deliver, and shall use reasonable commercial efforts to cause any such issuer or intermediary to execute and deliver, an agreement among the relevant Debtor, the Secured Party, and such issuer or intermediary in form and substance reasonably satisfactory to the Secured Party which provides, among other things, for the intermediary's agreement that it shall comply with entitlement orders, and apply any value distributed on account of any such Investment Property, as directed by the Secured Party without further consent by any Debtor. The Secured Party may at any time, after the occurrence and during the continuance of an Event of Default, cause to be transferred into its name or the name of its nominee or nominees all or any part of the Investment Property hereunder.

(c) Unless and until an Event of Default has occurred and is continuing, the Debtors may sell or otherwise dispose of any Investment Property, *provided* that no Debtor shall sell or otherwise dispose of any capital stock of or other equity interests in any direct or indirect subsidiary without the prior written consent of the Secured Party. After the occurrence and during the continuation of any Event of Default, no Debtor shall sell all or any part of the Investment Property without the prior written consent of the Secured Party.

(d) The Debtors represent that on the date of this Agreement, none of the Investment Property consists of margin stock (as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System) except to the extent the Debtors have delivered to the Secured Party a duly executed and completed Form U-1 with respect to such stock. If at any time the Investment Property or any part thereof consists of margin stock, the Debtors shall promptly so notify the Secured Party and deliver to the Secured Party a duly executed and completed Form U-1 and such other instruments and documents reasonably requested by the Secured Party in form and substance reasonably satisfactory to the Secured Party.

(e) Notwithstanding anything to the contrary contained herein, in the event any Investment Property is subject to the terms of a separate security agreement in favor of the Secured Party, the terms of such separate security agreement shall govern and control unless otherwise agreed to in writing by the Secured Party.

(f) All Deposit Accounts maintained by each Debtor on the date hereof are listed and identified (by account number and depository institution) on Schedule E attached hereto and made a part hereof. Each Debtor shall promptly notify the Secured Party of any other Deposit Account opened or maintained by such Debtor after the date hereof, and shall submit to the

Secured Party a supplement to Schedule E to reflect such additional accounts (provided such Debtor's failure to do so shall not impair the Secured Party's security interest therein). Subject to Section 4.1 of the Credit Agreement, from and after December 1, 2001, with respect to any Deposit Account maintained by a depository institution other than the Secured Party, and as a condition to the establishment and maintenance of any such Deposit Account, such Debtor, the depository institution, and the Secured Party shall execute and deliver an account control agreement in form and substance satisfactory to the Secured Party which provides, among other things, for the depository institution's agreement that it will comply with instructions originated by the Secured Party directing the disposition of the funds in the Deposit Account without further consent by such Debtor; *provided, however*, that so long as no Event of Default shall have occurred and be continuing no such agreements need be obtained with respect to one or more Deposit Accounts in which not more than \$100,000 in the aggregate are on deposit at any time.

Section 8. Power of Attorney. In addition to any other powers of attorney contained herein upon the occurrence and during the continuance of an Event of Default, each Debtor hereby appoints the Secured Party, its nominee, and any other person whom the Secured Party may designate, as such Debtor's attorney-in-fact, with full power to sign such Debtor's name on verifications of Receivables and other Collateral; to send requests for verification of Collateral to such Debtor's customers, account debtors, and other obligors; to endorse such Debtor's name on any checks, notes, acceptances, money orders, drafts, and any other forms of payment or security that may come into the Secured Party's possession or on any assignments, stock powers, or other instruments of transfer relating to the Collateral or any part thereof; to sign such Debtor's name on any invoice or bill of lading relating to any Collateral, on claims to enforce collection of any Collateral, on notices to and drafts against customers and account debtors and other obligors, on schedules and assignments of Collateral, on notices of assignment and on public records; to do all things necessary to carry out this Agreement. Each Debtor hereby ratifies and approves all acts of any such attorney and agrees that neither the Secured Party nor any such attorney will be liable for any acts or omissions nor for any error of judgment or mistake of fact or law other than such person's gross negligence or willful misconduct. The Secured Party may file one or more financing statements disclosing its security interest in any or all of the Collateral without the relevant Debtor's signature appearing thereon. Each Debtor also hereby grants the Secured Party a power of attorney to execute any such financing statements, or amendments and supplements to financing statements, on behalf of such Debtor without notice thereof to such Debtor. The foregoing powers of attorney, being coupled with an interest, are irrevocable until the Obligations have been fully paid and satisfied and all agreements of the Secured Party to extend credit to or for the account of the Borrower have expired or otherwise have been terminated; *provided, however*, that the Secured Party agrees, as a covenant to the Debtors, not to exercise the powers of attorney set forth in this Section unless an Event of Default exists.

9. *Defaults and Remedies.*

(a) The occurrence of any event or the existence of any condition which is specified as an "*Event of Default*" under the Credit Agreement, regardless of whether or not the Credit Agreement remains in effect, shall constitute an "*Event of Default*" hereunder.

(b) Upon the occurrence and during the continuation of any Event of Default, the Secured Party shall have, in addition to all other rights provided herein or by law, the rights and remedies of a secured party under the UCC (regardless of whether the UCC is the law of the jurisdiction where the rights or remedies are asserted and regardless of whether the UCC applies to the affected Collateral), and further the Secured Party may, without demand and without advertisement, notice, hearing, or process of law, all of which the Debtors hereby waive, at any time or times, sell and deliver all or any part of the Collateral (and any other property of the Debtors attached thereto or found therein) held by or for it at public or private sale, for cash, upon credit, or otherwise, at such prices and upon such terms as the Secured Party deems advisable, in its sole discretion. In addition to all other sums due the Secured Party hereunder, the Debtors shall pay the Secured Party all costs and expenses incurred by the Secured Party, including reasonable attorneys' fees and court costs, in obtaining, liquidating or enforcing payment of Collateral or the Obligations or in the prosecution or defense of any action or proceeding by or against the Secured Party or any Debtor concerning any matter arising out of or connected with this Agreement or the Collateral or the Obligations, including, without limitation, any of the foregoing arising in, arising under or related to a case under the United States Bankruptcy Code (or any successor statute). Any requirement of reasonable notice shall be met if such notice is personally served on or mailed, postage prepaid, to each Debtor in accordance with Section 12(b) hereof at least 10 days before the time of sale or other event giving rise to the requirement of such notice; *provided however*, no notification need be given to any Debtor if such Debtor has signed, after an Event of Default has occurred, a statement renouncing any right to notification of sale or other intended disposition. The Secured Party shall not be obligated to make any sale or other disposition of the Collateral regardless of notice having been given. The Secured Party may be the purchaser at any such sale. Each Debtor hereby waives all of its rights of redemption from any such sale to the fullest extent permitted by applicable law. The Secured Party may postpone or cause the postponement of the sale of all or any portion of the Collateral by announcement at the time and place of such sale, and such sale may, without further notice, be made at the time and place to which the sale was postponed or the Secured Party may further postpone such sale by announcement made at such time and place. The Secured Party has no obligation to prepare the Collateral for sale. The Secured Party may sell or otherwise dispose of the Collateral without giving any warranties as to the Collateral or any part thereof, including disclaimers of any warranties of title or the like, and each Debtor acknowledges and agrees that the absence of such warranties shall not render the disposition commercially unreasonable.

(c) Without in any way limiting the foregoing, upon the occurrence and during the continuation of any Event of Default, the Secured Party shall have the right, in addition to all other rights provided herein or by law, to take physical possession of any and all of the Collateral and anything found therein, the right for that purpose to enter without legal process any premises where the Collateral may be found (provided such entry be done lawfully), and the right to maintain such possession on the relevant Debtor's premises (each Debtor hereby agreeing to lease or sublease, to the extent permitted, such premises without cost or expense to the Secured Party or its designee if the Secured Party so requests) or to remove the Collateral or any part thereof to such other places as the Secured Party may desire. Upon the occurrence and during the continuation of any Event of Default, the Secured Party shall have the right to exercise any and all rights with respect to all Deposit Accounts of each Debtor including, without limitation, the right to direct the disposition of the funds in each Deposit Account and to collect, withdraw,

and receive all amounts due or to become due or payable under each such Deposit Account. Upon the occurrence and during the continuation of any Event of Default, each Debtor shall, upon the Secured Party's demand, promptly assemble the Collateral and make it available to the Secured Party at a place designated by the Secured Party. If the Secured Party exercises its right to take possession of the Collateral, the relevant Debtor shall also at its expense perform any and all other steps requested by the Secured Party to preserve and protect the security interest hereby granted in the Collateral, such as placing and maintaining signs indicating the security interest of the Secured Party, appointing overseers for the Collateral, and maintaining records with respect to the Collateral.

(d) Without in any way limiting the foregoing, upon the occurrence and during the continuation of any Event of Default, all rights of each Debtor to exercise the voting and/or consensual powers which it is entitled to exercise pursuant to Section 7(a)(i) hereof and/or to receive and retain the distributions which it is entitled to receive and retain pursuant to Section 7(a)(ii) hereof, shall, at the option of the Secured Party and upon written notice thereof to the applicable Debtor, cease and thereupon become vested in the Secured Party, which, in addition to all other rights provided herein or by law, shall then be entitled solely and exclusively to exercise all voting and other consensual powers pertaining to the Investment Property (including, without limitation, the right to deliver notice of control with respect to any Investment Property held in a securities account or commodity account and deliver all entitlement orders with respect thereto) and/or to receive and retain the distributions which any Debtor would otherwise have been authorized to retain pursuant to Section 7(a)(ii) hereof and shall then be entitled solely and exclusively to exercise any and all rights of conversion, exchange, or subscription or any other rights, privileges, or options pertaining to any Investment Property as if the Secured Party were the absolute owner thereof. Without limiting the foregoing, the Secured Party shall have the right to exchange, at its discretion, any and all of the Investment Property upon the merger, consolidation, reorganization, recapitalization, or other readjustment of the respective issuer thereof or upon the exercise by or on behalf of any such issuer or the Secured Party of any right, privilege, or option pertaining to any Investment Property and, in connection therewith, to deposit and deliver any and all of the Investment Property with any committee, depository, transfer agent, registrar, or other designated agency upon such terms and conditions as the Secured Party may determine. In the event the Secured Party in good faith believes any of the Collateral constitutes restricted securities within the meaning of any applicable securities laws, any disposition thereof in compliance with such laws shall not render the disposition commercially unreasonable.

(e) Without in any way limiting the foregoing, each Debtor hereby grants to the Secured Party a royalty-free irrevocable license and right to use all of such Debtor's patents, patent applications, patent licenses, trademarks, trademark registrations, trademark licenses, trade names, trade styles, copyrights, copyright applications, copyright licenses, and similar intangibles in connection with any foreclosure or other realization by the Secured Party on all or any part of the Collateral. The license and right granted the Secured Party hereby shall be without any royalty or fee or charge whatsoever.

(f) The powers conferred upon the Secured Party hereunder are solely to protect its interest in the Collateral and shall not impose on it any duty to exercise such powers. The

Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession or control if such Collateral is accorded treatment substantially equivalent to that which the Secured Party accords its own property, consisting of similar type assets, it being understood, however, that the Secured Party shall have no responsibility for ascertaining or taking any action with respect to calls, conversions, exchanges, maturities, tenders, or other matters relating to any such Collateral, whether or not the Secured Party has or is deemed to have knowledge of such matters. This Agreement constitutes an assignment of rights only and not an assignment of any duties or obligations of the Debtors, or any of them, in any way related to the Collateral, and the Secured Party shall have no duty or obligation to discharge any such duty or obligation. The Secured Party shall have no responsibility for taking any necessary steps to preserve rights against any parties with respect to any Collateral or initiating any action to protect the Collateral against the possibility of a decline in market value. Neither the Secured Party nor any party acting as attorney for the Secured Party shall be liable for any acts or omissions or for any error of judgment or mistake of fact or law other than their gross negligence or willful misconduct.

(g) Failure by the Secured Party to exercise any right, remedy, or option under this Agreement or any other agreement between the Debtors, or any of them, and the Secured Party or provided by law, or delay by the Secured Party in exercising the same, shall not operate as a waiver; and no waiver by the Secured Party shall be effective unless it is in writing and then only to the extent specifically stated. The rights and remedies of the Secured Party under this Agreement shall be cumulative and not exclusive of any other right or remedy which the Secured Party may have. For purposes of this Agreement, an Event of Default shall be construed as continuing after its occurrence until the same is waived in writing by the Secured Party.

10. *Application of Proceeds.* The proceeds and avails of the Collateral at any time received by the Secured Party after the occurrence and during the continuation of any Event of Default shall, when received by the Secured Party in cash or its equivalent, be applied by the Secured Party as follows:

(i) first, to the payment and satisfaction of all sums paid and costs and expenses incurred by the Secured Party hereunder or otherwise in connection herewith, including such monies paid or incurred in connection with protecting, preserving or realizing upon the Collateral or enforcing any of the terms hereof, including reasonable attorneys' fees and court costs, together with any interest thereon (but without preference or priority of principal over interest or of interest over principal), to the extent the Secured Party is not reimbursed therefor by the Debtors; and

(ii) second, to the payment and satisfaction of the remaining Obligations, whether or not then due (in whatever order the Secured Party elects), both for interest and principal.

The Debtors shall remain liable to the Secured Party for any deficiency. Any surplus remaining after the full payment and satisfaction of the foregoing shall be returned to the Debtors or to whomsoever the Secured Party reasonably determines is lawfully entitled thereto.

11. *Continuing Agreement.* This Agreement shall be a continuing agreement in every respect and shall remain in full force and effect until all of the Obligations, both for principal and interest, have been fully paid and satisfied and all agreements of the Secured Party to extend credit to or for the account of the Borrower have expired or otherwise have been terminated. Upon such termination of this Agreement, the Secured Party shall, upon the request and at the expense of the Debtors, forthwith release its security interest hereunder and shall execute such instruments of release, termination and discharge as are reasonably requested by the Debtors.

12. *Miscellaneous.*

(a) This Agreement cannot be changed or terminated orally. All of the rights, privileges, remedies, and options given to the Secured Party hereunder shall inure to the benefit of its successors and assigns, and all the terms, conditions, covenants, agreements, representations, and warranties of and in this Agreement shall bind the Debtors and their legal representatives, successors and assigns, *provided* that (i) no Debtor may assign its rights or delegate its duties hereunder without the Secured Party's prior written consent, and (ii) the Secured Party shall not assign its rights and interests hereunder except in connection with an assignment of its interests under the Credit Agreement.

(b) Except as otherwise specified herein, all notices hereunder shall be in writing (including, without limitation, notice by telecopy) and shall be given to the relevant party at its address or telecopier number set forth below (or, if no such address is set forth below, at the address of the relevant Debtor as shown on the records of the Secured Party), or such other address or telecopier number as such party may hereafter specify by notice to the other given by United States certified or registered mail, by telecopy or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices hereunder shall be addressed:

to the Debtors at:
9111 Barton Street
Overland Park, Kansas 66214
Attention: David Lind, CFO
Telephone: (913) 310-7907
Telecopy: (913) 310-7996

to the Secured Party at:
111 West Monroe Street
Chicago, Illinois 60603
Attention: Agribusiness Division
Telephone: (312) 461-7230
Telecopy: (312) 765-8095

Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section and sent by methods set forth in clauses (ii), (iii) or by regular mail, (ii) if given by mail, five (5) days after such communication is deposited in the mail, certified or registered with return receipt requested, addressed as aforesaid or (iii) if in person or by nationally recognized courier services, when delivered at the addresses specified in this Section.

(c) In the event and to the extent that any provision hereof shall be deemed to be invalid or unenforceable by reason of the operation of any law or by reason of the interpretation placed thereon by any court, this Agreement shall to such extent be construed as not containing such provision, but only as to such locations where such law or interpretation is operative, and the

invalidity or unenforceability of such provision shall not affect the validity of any remaining provisions hereof, and any and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect. Without limiting the generality of the foregoing, in the event that this Agreement shall be deemed to be valid or otherwise unenforceable with respect to any Debtor, such invalidity or unenforceability shall not affect the validity of this Agreement with respect to the other Debtors.

(d) The lien and security interest herein created and provided for stand as direct and primary security for the Obligations of the Borrower arising under or otherwise relating to the Credit Agreement as well as for any of the other Obligations secured hereby. No application of any sums received by the Secured Party in respect of the Collateral or any disposition thereof to the reduction of the Obligations or any part thereof shall in any manner entitle any Debtor to any right, title or interest in or to the Obligations or any collateral or security therefor, whether by subrogation or otherwise, unless and until all Obligations have been fully paid and satisfied and all agreements of the Secured Party to extend credit to or for the account of each Debtor have expired or otherwise have been terminated. Each Debtor acknowledges that the lien and security interest hereby created and provided are absolute and unconditional and shall not in any manner be affected or impaired by any acts of omissions whatsoever of the Secured Party or any other holder of any Obligations, and without limiting the generality of the foregoing, the lien and security interest hereof shall not be impaired by any acceptance by the Secured Party or any other holder of any Obligations of any other security for or guarantors upon any of the Obligations or by any failure, neglect or omission on the part of the Secured Party or any other holder of any Obligations to realize upon or protect any of the Obligations or any collateral or security therefor. The lien and security interest hereof shall not in any manner be impaired or affected by (and the Secured Party, without notice to anyone, is hereby authorized to make from time to time) any sale, pledge, surrender, compromise, settlement, release, renewal, extension, indulgence, alteration, substitution, exchange, change in, modification or disposition of any of the Obligations or of any collateral or security therefor, or of any guaranty thereof, or of any instrument or agreement setting forth the terms and conditions pertaining to any of the foregoing. The Secured Party may at its discretion at any time grant credit to any Debtor without notice to the other Debtors in such amounts and on such terms as the Secured Party may elect (all of such to constitute additional Obligations hereby secured) without in any manner impairing the lien and security interest created and provided for herein. In order to realize hereon and to exercise the rights granted the Secured Party hereunder and under applicable law, there shall be no obligation on the part of the Secured Party or any other holder of any Obligations at any time to first resort for payment to any one or more Debtors or to any guaranty of the Obligations or any portion thereof or to resort to any other collateral, security, property, liens or any other rights or remedies whatsoever, and the Secured Party shall have the right to enforce this Agreement against any Debtor or any of its Collateral irrespective of whether or not other proceedings or steps seeking resort to or realization upon or from any of the foregoing are pending.

(e) In the event the Secured Party shall at any time in its discretion permit a substitution of Debtors hereunder or a party shall wish to become a Debtor hereunder, such substituted or additional Debtor shall, upon executing an agreement in the form attached hereto as Schedule F, become a party hereto and be bound by all the terms and conditions hereof to the same extent as though such Debtor had originally executed this Agreement and, in the case of a substitution, in

lieu of the Debtor being replaced. Any such agreement shall contain information as to such Debtor necessary to update Schedule A, B, C, D, and E hereto with respect to it. No such substitution shall be effective absent the written consent of the Secured Party nor shall it in any manner affect the obligations of the other Debtors hereunder.

(f) This Agreement shall be deemed to have been made in the State of Illinois and shall be governed by, and construed in accordance with, the laws of the State of Illinois. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of any provision hereof.

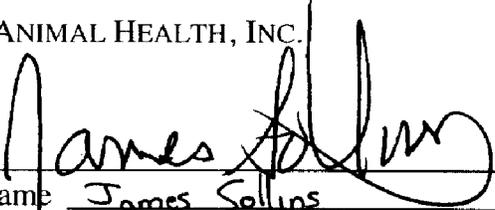
(g) This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterpart signature pages, each constituting an original, but all together one and the same instrument.

(h) Each Debtor hereby submits to the non-exclusive jurisdiction of the United States District Court for the Northern District of Illinois and of any Illinois state court sitting in the City of Chicago for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. Each Debtor irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient form. THE DEBTORS AND THE SECURED PARTY EACH HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the Debtors have caused this Security Agreement to be duly executed and delivered as of the date and year first above written.

IVY ANIMAL HEALTH, INC.

By 
Name James Collins
Title Chairman

Accepted and agreed to in Chicago, Illinois as of the date and year first above written.

HARRIS TRUST AND SAVINGS BANK

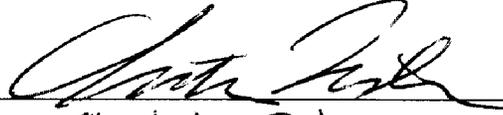
By 
Name Christopher Fischer
Title Vice-President

EXHIBIT A
FORM OF LANDLORD'S WAIVER

The undersigned is the owner of the real estate commonly known as _____ and described on the exhibit attached to this Waiver and headed "*Exhibit A*", if any such exhibit is attached (which real estate is hereinafter called the "*Real Estate*") and currently leases the Real Estate to Ivy Animal Health, Inc. (hereinafter called the "*Borrower*"). Harris Trust and Savings Bank of Chicago, Illinois (hereinafter called the "*Bank*") currently extends or is about to extend credit to the Borrower secured by, among other things, the following generally described personal property which is now or may from time to time in the future be located on or about the Real Estate:

1. All of the Borrower's inventory, whether now owned or hereafter acquired by the Borrower, including, but not limited to, all goods which are held for sale or lease, or which are to be furnished under contracts of service, or which are raw materials, work-in-process, finished goods or materials and supplies of every nature used or usable in connection with such goods and any returned or repossessed goods;

2. All of the Borrower's equipment, whether now owned or hereafter acquired by the Borrower, including, but not limited to, machinery, tools, trade fixtures, furniture, furnishings, office equipment and vehicles and all goods for use in the Borrower's business, together with all parts, equipment and attachments relating to the property described in this clause; and

3. All evidence and documents relating to any of the property described above, together with all books of account, ledgers and cabinets in which the same are reflected or maintained.

All of the property now or from time to time in the future securing the Bank's credit to the Borrower is referred to in this Waiver as the "*Collateral*".

In order to induce the Bank to maintain and extend credit to the Borrower, which, among other things, assists the Borrower in meeting its obligations under its lease from the undersigned, the undersigned agrees with the Bank as follows:

1. The undersigned waives, relinquishes and releases all interest in, right or claim to and lien on the Collateral, including, but not limited to, any right of levy or distraint upon the Collateral for rent.

2. The undersigned consents to the location of the Collateral on the Real Estate. The Bank may, if it has the right to do so under its credit and/or security arrangements with the Borrower, at any time enter upon the Real Estate and remove and use the Collateral located there without any liability whatsoever to the undersigned, except for any damages to the undersigned's buildings or other improvements on the Real Estate directly caused by any failure of the Bank to remove or use the Collateral with reasonable care.

3. The undersigned agrees not to take any action to terminate the Borrower's right to occupy the Real Estate or to have the Collateral located on the Real Estate, in each case without ___ days prior written notice to the Bank.

4. The Collateral is and shall remain personal property and not a fixture or part of the Real Estate.

5. The undersigned will notify any purchaser of the Real Estate, or any party obtaining a mortgage or other lien on the Real Estate, of this Waiver. This Waiver shall be binding upon the successors and assigns of the undersigned and inure to the benefit of the Bank and its successors and assigns.

6. This Waiver shall be continuing, absolute and unconditional, with no act of any kind taken or not taken by the Bank at any time to affect or impair this Agreement. This Agreement shall remain in full force and effect until the Bank shall actually receive written notice of its discontinuance from the undersigned and also until all indebtedness of the Borrower to the Bank created or existing, or which the Bank is obligated to lend to the Borrower (whether or not such indebtedness is outstanding), before the Bank's receipt of such notice shall be fully paid.

7. The undersigned is the owner of Real Estate and warrants that it has authority to execute and deliver this Waiver to the Bank. The undersigned acknowledges that this Waiver is and shall be effective upon its execution and delivery by the undersigned to the Bank and it shall not be necessary for the Bank to execute this Waiver or any other acceptance hereof or otherwise to signify or express its acceptance hereof.

8. This agreement shall be governed by and construed in accordance with the internal laws of the state of Illinois.

Dated this _____ day of _____, ____.

*By _____
*Name _____
Title _____

*(CORPORATE SEAL)

*ATTEST:

* _____
* _____ Secretary

* Complete only if executed by a corporation

CORPORATE ACKNOWLEDGMENT*

STATE OF _____)
) SS
COUNTY OF _____)

The undersigned, a Notary Public in and for said County in the State aforesaid, does hereby certify that _____, the _____ of _____, a(n) _____ corporation, and _____, the _____ Secretary of said corporation, personally known to me to be the same persons whose names are subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that they signed and delivered the said instrument as their own free and voluntary act, and as the free and voluntary act of said corporation for the purposes therein set forth; and the said _____ Secretary did then and there acknowledge that he (she) is the custodian of the corporate seal of said corporation, did affix the said corporate seal of said corporation to said instrument as his (her) own free and voluntary act and as the free and voluntary act of said corporation for the uses and purposes therein set forth.

Given under my hand and notarial seal this _____ day of _____, _____.

(Notary Seal)

Notary Public

(Type or Print Name)

My commission expires: _____

* Complete only if the waiver is executed by a corporation.

INDIVIDUAL ACKNOWLEDGMENT**

STATE OF _____)
) SS
COUNTY OF _____)

The undersigned, _____, a Notary Public in and for said County in the State aforesaid, does hereby certify that _____, personally known to me to be the same person(s) whose name(s) is (are) subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he (she) (they) signed, sealed and delivered said instrument as his (her) (their) free and voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this _____ day of _____, _____.

(Notary Seal)

Notary Public

(Type or Print Name)

My commission expires: _____

** Complete only if the waiver is executed by an individual(s).

EXHIBIT A

LEGAL DESCRIPTION OF LEASED PREMISES

SCHEDULE A

LOCATIONS

Ivy Animal Health, Inc. a Delaware corporation Organizational Number 2881164
F.E.I.N. 48-1200247

Chief Executive Office: 8857 Bond Street, Overland Park, KS 66214. Note-Only legal description in lease is “all of an approximately 12,000 sq.ft. building located at 8857 Bond Street”.

Additional Places of Business and Collateral Locations (all are leased):

8871/8873 Bond Street, Overland Park, KS 66214.

9111 Barton Street, Overland Park, KS 66214. Legal description – All of Lot 2, and the South 20 feet of Lot 1, Block 6, Congleton Industrial Business Park, a subdivision in Overland Park, Johnson County, Kansas, according to the recorded plat thereof.

1001 Office Park Road, Suite 201, Des Moines, Iowa 50265.

Effective 11/01/01:

8232-8234 Nieman Road, Lenexa, KS 66214.

SCHEDULE B

OTHER NAMES

A. PRIOR LEGAL NAMES

VetLife, LLC
Ivy Laboratories, Inc.

B. TRADE NAMES

VetLife

SCHEDULE D

REAL ESTATE LEGAL DESCRIPTIONS

All of Lot 2, and the South 20' of Lot 1, Block 6, CONGLETON INDUSTRIAL PARK, a subdivision in Overland Park, Johnson City, Kansas, according to the recorded plat thereof.

SCHEDULE E
INVESTMENT PROPERTY AND DEPOSITS

BANK ACCOUNTS

- 1. Citibank- Business checking account.**
Ivy Animal Health, Inc.
8857 Bond
Overland Park, KS 66214
ABA # 021000089
Checking account # 59164966

- 2. Citibank- Cash reserve account**
Ivy Animal Health, Inc.
8857 Bond
Overland Park, KS 66214
ABA # 021000089
Checking account # 02147297

- 3. Citibank- Line of Credit**
Ivy Animal Health, Inc.
8857 Bond
Overland Park, KS 66214
LOAN # 12665650-1
TAX ID 48-1200247

- 4. Citibank- Line of Credit-over advance**
Ivy Animal Health, Inc.
8857 Bond
Overland Park, KS 66214
Loan # 15318650-1
Tax ID # 48-1200247

- 5. Commerce Bank-operating-attached to lock box**
Ivy Animal Health, Inc.
8857 Bond
Overland Park, KS 66214
ABA # 101000019
Account # 590954789

SCHEDULE F

ASSUMPTION AND SUPPLEMENTAL SECURITY AGREEMENT

THIS AGREEMENT dated as of this ____ day of _____, 20__ from [new debtor], a _____ corporation/limited liability company/partnership (the "New Debtor"), to Harris Trust and Savings Bank (the "Secured Party").

WITNESSETH THAT:

WHEREAS, Ivy Animal Health, Inc., a Delaware corporation (the "Borrower") has executed and delivered to the that certain Security Agreement dated as of October 17, 2001 (such Security Agreement, as the same may from time to time be modified or amended, including supplements thereto which add additional parties as Debtors thereunder, being hereinafter referred to as the "Security Agreement"), pursuant to which such parties (the "Existing Debtors") have granted to the Secured Party a lien on and security interest in each such Existing Debtor's Collateral (as such term is defined in the Security Agreement) to secure the Obligations (as such term is defined in the Security Agreement); and

NOW, THEREFORE, FOR VALUE RECEIVED, and in consideration of advances made or to be made, or credit accommodations given or to be given, to the Borrower by the Secured Party from time to time, the New Debtor hereby agrees as follows:

1. The New Debtor acknowledges and agrees that it shall become a "Debtor" party to the Security Agreement effective upon the date the New Debtor's execution of this Agreement and the delivery of this Agreement to the Secured Party, and that upon such execution and delivery, all references in the Security Agreement to the terms "Debtor" or "Debtors" shall be deemed to include the New Debtor. Without limiting the generality of the foregoing, the New Debtor hereby repeats and reaffirms all grants (including the grant of a lien and security interest), covenants, agreements, representations and warranties of the "Debtors" contained in the Security Agreement as amended hereby, each and all of which are and shall remain applicable to the Collateral from time to time owned by the New Debtor or in which the New Debtor from time to time has any rights. Without limiting the foregoing, in order to secure payment of the Obligations, whether now existing or hereafter arising, the New Debtor does hereby grant to the Secured Party, and hereby agrees that the Secured Party has and shall continue to have a continuing lien on and security interest in, among other things, all of the New Debtor's Collateral (as such term is defined in the Security Agreement), including, without limitation, all of the New Debtor's Accounts, Chattel Paper, Instruments (including Promissory Notes), Documents, General Intangibles (including Payment Intangibles and Software), Letter-of-Credit Rights, Supporting Obligations, Deposit Accounts, Investment Property, Inventory, Equipment, Fixtures, and all Proceeds thereof and all of the other Collateral described in the granting clauses of the Security Agreement, each and all of such granting clauses being incorporated herein by reference with the same force and effect as if set forth in their entirety except that all references in such clauses to the Existing Debtors or any of them shall be deemed to include references to the New

Debtor. Nothing contained herein shall in any manner impair the priority of the liens and security interests heretofore granted in favor of the Secured Party under the Security Agreement.

2. Schedules A (Locations), Schedule B (Other Names), Schedule C (Intellectual Property Rights), Schedule D (Real Estate), and Schedule E (Investment Property and Deposits) to the Security Agreement shall be supplemented by the information stated below with respect to the New Debtor:

SUPPLEMENT TO SCHEDULE A

NAME OF DEBTOR (AND STATE OF ORGANIZATION AND ORGANIZATIONAL REGISTRATION NUMBER)	CHIEF EXECUTIVE OFFICE (AND NAME OF RECORD OWNER OF SUCH LOCATION)	ADDITIONAL PLACES OF BUSINESS AND COLLATERAL LOCATIONS (AND NAME OF RECORD OWNER OF SUCH LOCATIONS)
_____	_____	_____
_____	_____	_____

SUPPLEMENT TO SCHEDULE B

NAME OF DEBTOR	PRIOR LEGAL NAMES AND TRADE NAMES OF SUCH DEBTOR
_____	_____

SUPPLEMENT TO SCHEDULE C

INTELLECTUAL PROPERTY RIGHTS

SUPPLEMENT TO SCHEDULE D

REAL ESTATE LEGAL DESCRIPTIONS

SUPPLEMENT TO SCHEDULE E

INVESTMENT PROPERTY AND DEPOSITS

3. The New Debtor hereby acknowledges and agrees that the Obligations are secured by all of the Collateral according to, and otherwise on and subject to, the terms and conditions of the Security Agreement to the same extent and with the same force and effect as if the New Debtor had originally been one of the Existing Debtors under the Security Agreement and had originally executed the same as such an Existing Debtor.

4. All capitalized terms used in this Agreement without definition shall have the same meaning herein as such terms have in the Security Agreement, except that any reference to the term "Debtor" or "Debtors" and any provision of the Security Agreement providing meaning to such term shall be deemed a reference to the Existing Debtors and the New Debtor. Except as specifically modified hereby, all of the terms and conditions of the Security Agreement shall stand and remain unchanged and in full force and effect.

5. The New Debtor agrees to execute and deliver such further instruments and documents and do such further acts and things as the Secured Party may reasonably deem necessary or proper to carry out more effectively the purposes of this Agreement.

6. No reference to this Agreement need be made in the Security Agreement or in any other document or instrument making reference to the Security Agreement, any reference to the Security Agreement in any of such to be deemed a reference to the Security Agreement as modified hereby.

7. This Agreement shall be governed by and construed in accordance with the State of Illinois (without regard to principles of conflicts of law).

[INSERT NAME OF NEW DEBTOR]

By _____
Name _____
Title _____

Accepted and agreed to as of the date first above written.

HARRIS TRUST AND SAVINGS BANK

By _____
Name _____
Title _____