

TRADEMARK

05-25-1999

Docket No.:

299/12965



101044771

Tab settings

To the Honorable Commissioner of Patents and Trademarks: Please record this document and its attachments or copy thereof.

1. Name of conveying party(ies):

Knit-Rite, Inc.

MLO 5-20-99

- Individual(s)
- General Partnership
- Corporation-State Delaware
- Other

- Association
- Limited Partnership

Additional names(s) of conveying party(ies) Yes No

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other
- Merger
- Change of Name

Execution Date: March 30, 1999

2. Name and address of receiving party(ies):

Name: Mercantile Bank, N.A.

Internal Address:

Street Address: One Mercantile Center

City: St. Louis State: MO ZIP: 63101

- Individual(s) citizenship
- Association National Banking
- General Partnership
- Limited Partnership
- Corporation-State
- Other

If assignee is not domiciled in the United States, a domestic designation is Yes N
 (Designations must be a separate document from Additional name(s) & address(es) Yes N

4. Application number(s) or registration numbers(s):

A. Trademark Application No.(s)

75/607,067

B. Trademark Registration No.(s)

<u>962,906</u>	<u>1,207,095</u>	<u>1,380,252</u>	<u>1,665,756</u>
<u>976,000</u>	<u>1,231,519</u>	<u>1,522,348</u>	<u>1,964,762</u>
<u>1,185,629</u>	<u>1,289,939</u>	<u>1,658,138</u>	

Additional numbers Yes No

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

Name: Mitzi G. Cherry

Internal Address:

Street Address: Thompson Coburn LLP

One Mercantile Center

City: St. Louis State: MO ZIP: 63101

6. Total number of applications and registrations involved:.....

12

7. Total fee (37 CFR 3.41):.....\$ 315.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

20-0823 (if deficient only)

5/24/1999 DMGUYEN 00000151 75607067

DO NOT USE THIS SPACE

01 FC:481 40.00 OP
 02 FC:482 275.00 OP

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Mitzi G. Cherry

Name of Person Signing

Mitzi G. Cherry
Signature

5/17/99

Date

Total number of pages including cover sheet, attachments, and TRADEMARK

PATENT, TRADEMARK AND LICENSE SECURITY AGREEMENT

THIS PATENT, TRADEMARK AND LICENSE SECURITY AGREEMENT (this "Agreement") is made and entered into as of the 26th day of March, 1999, by KNIT-RITE, INC., a Delaware corporation ("Borrower"), in favor of MERCANTILE BANK NATIONAL ASSOCIATION, a national banking association ("Lender").

WITNESSETH:

WHEREAS, Borrower and Lender are herewith entering into that certain Loan Agreement dated the date hereof (as the same may from time to time be amended, modified, extended, renewed or restated, the "Loan Agreement"; all capitalized terms used and not otherwise defined in this Agreement shall have the respective meanings ascribed to them in the Loan Agreement); and

WHEREAS, as a condition precedent to Lender entering into the Loan Agreement, Lender has required that Borrower execute and deliver this Agreement to Lender; and

WHEREAS, in order to induce Lender to enter into the Loan Agreement, Borrower has agreed to execute and deliver this Agreement to Lender; and

WHEREAS, this Agreement is being executed in connection with and in addition to the Security Agreement dated the date hereof and executed by Borrower in favor of Lender pursuant to which Borrower has granted to Lender a security interest in and lien on, among other things, all accounts, inventory, general intangibles, goods, machinery, equipment, books, records, goodwill, patents, patent applications, trademarks and trademark applications now owned or hereafter acquired by Borrower and all proceeds thereof;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower hereby covenants and agrees with Lender as follows:

1. Grant of Security Interest. For value received, Borrower hereby grants Lender a security interest in and lien on all of Borrower's right, title and interest in, to and under the following described property, whether now owned and existing or hereafter created, acquired or arising (collectively, the "Collateral"):

(a) all patents and patent applications, and the inventions and improvements described and claimed therein, including, without limitation, each patent and patent application listed on Schedules A and B, respectively, attached hereto and incorporated herein by reference (as the same may be amended pursuant hereto from time to time) and (i) the reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, (ii) all income, damages and payments now and/or hereafter due or payable under or with respect thereto, including, without limitation, license royalties, damages and payments for past or future infringements thereof, (iii) the right to sue for past, present and future infringements thereof and (iv) all rights corresponding thereto throughout the world (all of the foregoing patents and patent applications together with the items described in clauses (i) through (iv) of this subsection (a) are hereinafter collectively referred to herein as the "Patents");

(b) all trademarks, service marks, trademark or service mark registrations, trade names, trade styles, trademark or service mark applications and brand names, including, without limitation, common law rights and each mark and application listed on Schedules C and D, respectively, attached hereto and incorporated herein by reference; and (i) renewals or extensions thereof, (ii) all income, damages and payments now and/or hereafter due or payable with respect thereto, including, without limitation, license royalties, damages and payments for past or future infringements thereof, (iii) the right to sue for past, present and future infringements thereof and (iv) all rights corresponding thereto

throughout the world (all of the foregoing trademarks, trade names, service marks and applications and registrations thereof together with the items described in clauses (i) through (iv) of this subsection (b) are hereinafter collectively referred to herein as the "Trademarks");

(c) the license(s) listed on Schedule E attached hereto and incorporated herein by reference and all other license agreements (to the extent such license agreements may be assigned without violating the terms of any such license agreement) with respect to any of the Patents or the Trademarks or any other patent, trademark, service mark or any application or registration thereof or any other trade name or trade style between Borrower and any other Person, whether Borrower is licensor or licensee (all of the foregoing license agreements and Borrower's rights thereunder are hereinafter collectively referred to as the "Licenses");

(d) the goodwill of Borrower's business connected with and symbolized by the Trademarks;
and

(e) all proceeds, including, without limitation, proceeds which constitute property of the types described in (a), (b), (c) and (d) above and any rents and profits of any of the foregoing items, whether cash or noncash, immediate or remote, and insurance proceeds, and all products of (a), (b), (c) and (d) above, and any indemnities, warranties and guaranties payable by reason of loss or damage to or otherwise with respect to any of the foregoing items;

to secure the payment of to secure the payment of (i) any and all of the present and future Borrower's Obligations, (ii) any and all present and future indebtedness (principal, interest, fees, collection costs and expenses and other amounts), liabilities and obligations (including, without limitation, guaranty obligations and indemnity obligations) of Borrower under this Agreement, (iii) any and all other indebtedness (principal, interest, fees, collection costs and expenses and other amounts), liabilities and obligations (including, without limitation, guaranty obligations, letter of credit reimbursement obligations and indemnity obligations) of Borrower to Lender of every kind and character, now existing or hereafter arising, absolute or contingent, joint or several or joint and several, otherwise secured or unsecured, due or not due, direct or indirect, expressed or implied in law, contractual or tortious, liquidated or unliquidated, at law or in equity, or otherwise, and whether heretofore, now or hereafter incurred or given by Borrower as principal, surety, endorser, guarantor or otherwise, and whether created directly or acquired by Lender by assignment or otherwise and (iv) any and all costs of collection, legal expenses and attorneys' fees and expenses incurred by Lender upon the occurrence of any default or event of default under this Agreement, in collecting or enforcing payment of any such indebtedness, liabilities or obligations or in preserving, protecting or realizing on the Collateral hereunder or in representing Lender in connection with bankruptcy or insolvency proceedings (hereinafter collectively referred to as the "Secured Obligations").

2. Representations, Warranties and Covenants of Borrower. Borrower hereby represents and warrants to Lender, and covenants and agrees with Lender, that:

(a) all of the Patents, Trademarks and Licenses are subsisting and have not been adjudged invalid or unenforceable, in whole or in part, and are not at this time the subject of any challenge to their validity or enforceability;

(b) to the best of Borrower's knowledge, each of the Patents, Trademarks and Licenses is valid and enforceable;

(c) (i) no claim has been made that the use of any of the Patents, Trademarks or Licenses does or may violate the rights of any third person, (ii) no claims for patent infringement have been commenced in connection with any of the Patents and (iii) no claims for trademark infringement have been commenced in connection with any of the Trademarks;

(d) Borrower is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Patents, Trademarks and Licenses, free and clear of any and all liens, charges and encumbrances, including, without limitation, any and all pledges, assignments, licenses, registered user agreements, shop rights and covenants by Borrower not to sue third persons;

(e) Borrower has the unqualified right, power and authority to enter into this Agreement and perform its terms;

(f) Borrower has used, and will continue to use for the duration of this Agreement, proper statutory notice in connection with its use of the registered Patents and Trademarks;

(g) Borrower has the exclusive, royalty-free right and license to use the Patents, Trademarks and Licenses and agrees not to transfer any rights or interest in any of the Patents, Trademarks and/or Licenses during the term of this Agreement; and

(h) Borrower has no notice of any suits or actions commenced or threatened with reference to any of the Patents, Trademarks and/or Licenses.

3. Inspection Rights; Product Quality. Borrower will permit inspection of Borrower's facilities which manufacture, inspect or store products sold under any of the Patents, Trademarks and/or Licenses and inspection of the products and records relating thereto by Lender during normal business hours and at other reasonable times. Borrower will reimburse Lender upon demand for all costs and expenses incurred by Lender in connection with any such inspection conducted by Lender while any Default or Event of Default under the Loan Agreement has occurred and is continuing. A representative of Borrower may be present during any such inspection, provided that a particular representative's availability or unavailability shall not inhibit or delay such inspection. Borrower agrees (a) to maintain the quality of any and all products in connection with which the Trademarks are used, consistent with commercially reasonable practices and (b) to provide Lender, upon Lender's reasonable request from time to time, with a certificate of any officer of Borrower certifying Borrower's compliance with the forgoing.

4. Further Assurances. Borrower hereby agrees that, until (a) all of the Secured Obligations shall have been paid in full, (b) no Letters of Credit shall remain outstanding, (c) Lender has no further commitment or obligation to make any loans or advances or other extensions of credit to Borrower under the Loan Agreement or otherwise and (d) the Loan Agreement has expired or been terminated in accordance with its terms, it will not, without the prior written consent of Lender, enter into any agreement (for example, a license or sublicense agreement) which is inconsistent with Borrower's obligations under this Agreement or the Loan Agreement and Borrower agrees that it will not take any action or permit any action to be taken by others subject to its control, including licensees, or fail to take any action which would affect the validity or enforcement of the rights transferred to Lender under this Agreement. Borrower further agrees that at any time and from time to time, at the expense of Borrower, Borrower will promptly execute and deliver to Lender any and all further instruments and documents and take any and all further action that Lender may request in good faith in order to perfect and protect the security interest granted hereby with respect to the Patents, Trademarks and Licenses or to enable Lender to exercise its rights and remedies under this Agreement with respect to the same.

5. Additional Patents, Trademarks and Licenses. If Borrower (a) becomes aware of any existing Patents, Trademarks or Licenses of which Borrower has not previously informed Lender, (b) obtains rights to any new patentable inventions, Patents, Trademarks and/or Licenses or (c) becomes entitled to the benefit of any Patents, Trademarks and/or Licenses which benefit is not in existence on the date of this Agreement, the provisions of this Agreement shall automatically apply thereto and Borrower shall give Lender prompt written notice thereof.

6. Modification by Lender. Borrower authorizes Lender to modify this Agreement by amending Schedules A, B, C, D and/or E to include any future patents and patent applications, any future trademarks,

service marks, trademark or service mark registrations, trade names, and trademark or service applications, and any future licenses, covered by Paragraphs 1 and 5 hereof, without the signature of Borrower if permitted by applicable law.

7. Use of Patents, Trademarks and Licenses. So long as no Event of Default has occurred and is continuing, Borrower may use the Patents and Trademarks and exercise its rights under the Licenses in any lawful manner not inconsistent with this Agreement on and in connection with products sold by Borrower, for Borrower's own benefit and account and for none other.

8. Default. If any Event of Default shall have occurred and be continuing, Lender shall have, in addition to all other rights and remedies given it by this Agreement, those allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which any of the Patents, Trademarks and/or Licenses may be located and, without limiting the generality of the foregoing, Lender may immediately, without demand of performance and without other notice (except as set forth next below) or demand whatsoever to Borrower, all of which are hereby expressly waived, and without advertisement, sell at public or private sale or otherwise realize upon, all or from time to time any of the Patents, Trademarks (together with the goodwill of Borrower associated therewith) and/or Licenses, or any interest which Borrower may have therein, and after deducting from the proceeds of sale or other disposition of the Patents, Trademarks or Licenses all expenses (including, without limitation, all expenses for brokers' fees and legal services), shall apply the residue of such proceeds toward the payment of the Secured Obligations in the order and manner as Lender may elect. Notice of any sale or other disposition of any of the Patents, Trademarks and/or Licenses shall be given to Borrower at least five (5) Domestic Business Days before the time of any intended public or private sale or other disposition of such Patents, Trademarks and/or Licenses is to be made, which Borrower hereby agrees shall be reasonable notice of such sale or other disposition. At any such sale or other disposition, Lender or any holder of any of the Secured Obligations may, to the extent permissible under applicable law, purchase the whole or any part of the Patents, Trademarks and/or Licenses sold, free from any right of redemption on the part of Borrower, which right is hereby waived and released. Borrower agrees that upon the occurrence and continuance of any Event of Default, the use by Lender of the Patents, Trademarks and Licenses shall be worldwide, and without any liability for royalties or other related charges from Lender to Borrower. If an Event of Default shall occur and be continuing, Lender shall have the right, but shall in no way be obligated, to bring suit in its own name (for the benefit of itself) to enforce any and all of the Patents, Trademarks and Licenses, and, if Lender shall commence any such suit, Borrower shall, at the request of Lender, do any and all lawful acts and execute any and all proper documents required by Lender in aid of such enforcement and the Borrower shall promptly, upon demand, reimburse and indemnify Lender for all costs and expenses incurred by Lender in the exercise of its rights under this Agreement. All of Lender's rights and remedies with respect to the Patents, Trademarks and Licenses, whether established hereby, by the Security Agreement or by any other agreement or by law shall be cumulative and may be exercised singularly or concurrently.

9. Termination of Agreement. At such time as (a) Borrower shall pay all of the Secured Obligations in full, (b) no Letters of Credit shall remain outstanding, (c) Lender shall have no further commitment or obligation to make any loans or advances or other extensions of credit to Borrower under the Loan Agreement or otherwise and (d) the Loan Agreement shall have expired or been terminated in accordance with its terms, this Agreement shall terminate and Lender shall execute and deliver to Borrower all instruments as may be necessary or proper to extinguish Lender's security interest therein, subject to any disposition thereof which may have been made by Lender pursuant to this Agreement.

10. Expenses. Any and all fees, costs and expenses of whatever kind or nature, including, without limitation, the reasonable attorneys' fees and expenses incurred by Lender in connection with the preparation of this Agreement and all other documents relating hereto and the consummation of this transaction, the filing or recording of any documents (including all taxes in connection therewith) in public offices, the payment or discharge of any taxes, counsel fees, maintenance fees, encumbrances or other amounts in connection with protecting, maintaining or preserving the Patents, Trademarks and/or Licenses, or in defending or prosecuting any actions or proceedings arising out of or related to the Patents, Trademarks and/or Licenses, shall be borne

and paid by Borrower on demand by Lender and until so paid shall be added to the principal amount of the Secured Obligations and shall bear interest at a rate per annum equal to the lesser of Three Percent (3%) over and above the Prime Rate (which interest rate shall fluctuate as and when the Prime Rate shall change) or the highest rate of interest allowed by law from the date incurred until reimbursed by Borrower.

11. Preservation of Patents, Trademarks and Licenses. Borrower shall have the duty (a) to file and prosecute diligently any patent, trademark or service mark applications pending as of the date hereof or hereafter, (b) to make application on unpatented but patentable inventions and on trademarks and service marks, as commercially reasonable and (c) to preserve and maintain all rights in the Patents, Trademarks and Licenses, as commercially reasonable. Any expenses incurred in connection with Borrower's obligations under this Section 11 shall be borne by Borrower.

12. Lender Appointed Attorney-In-Fact. If any Event of Default shall have occurred and be continuing, Borrower hereby authorizes and empowers Lender to make, constitute and appoint any officer or agent of Lender as Lender may select, in its sole discretion, as Borrower's true and lawful attorney-in-fact, with the power to endorse Borrower's name on all applications, documents, papers and instruments necessary for Lender to use the Patents, Trademarks and Licenses, or to grant or issue any exclusive or non-exclusive license under the Patents, Trademarks and Licenses to anyone else, or necessary for Lender to assign, pledge, convey or otherwise transfer title to or dispose of the Patents, Trademarks and Licenses to anyone else. Borrower hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney is coupled with an interest and shall be irrevocable for the duration of this Agreement.

13. No Waiver. No course of dealing between Borrower and Lender, nor any failure to exercise, nor any delay in exercising, on the part of Lender, any right, power or privilege under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

14. Severability. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

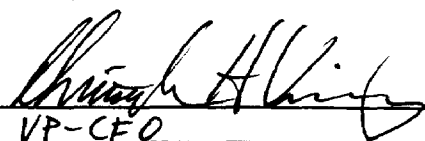
15. Amendments. This Agreement is subject to amendment or modification only by a writing signed by Borrower and Lender, except as provided in Paragraph 6 above.

16. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, except that Borrower may not assign, transfer or delegate any of its rights, obligations or duties under this Agreement.

17. Governing Law. The validity and interpretation of this Agreement and the rights and obligations of the parties hereto shall be governed by and construed in accordance with the substantive laws of the State of Missouri (without reference to conflict of law principles).

IN WITNESS WHEREOF, Borrower and Lender have executed this Patent, Trademark and License Security Agreement as of the 26th day of March, 1999.

KNIT-RITE, INC. ("Borrower")

By 
Title: VP-CEO

By *[Handwritten Signature]*
Title: *Vice President*

CERTIFICATE OF ACKNOWLEDGMENT

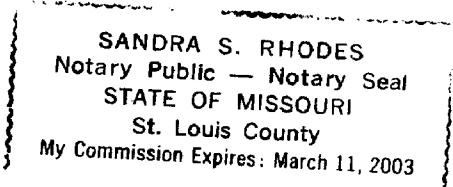
STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

On this 30th day of March, 1999, before me personally appeared Christopher H. Vering, to me personally known, who, being by me duly sworn, did say that he is the Vice President of KNIT-RITE, INC., a Delaware corporation, and that said instrument was signed on behalf of said corporation by authority of its Board of Directors; and said Vice President acknowledged said instrument to be the free act and deed of said corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the City and State aforesaid, the day and year first above written.

(Seal) Sandra S. Rhodes
Notary Public

My Commission Expires: 3/11/03



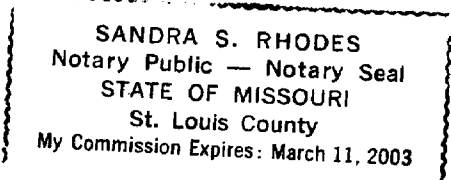
STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

On this 30th day of March, 1999, before me appeared Timothy R. Schifer, to me personally known, who, being by me duly sworn, did say that he is a Vice President of MERCANTILE BANK NATIONAL ASSOCIATION, a national banking association, and that said instrument was signed on behalf of said association by authority of its Board of Directors; and said Vice President acknowledged said instrument to be the free act and deed of said association.

IN TESTIMONY WHEREOF, I have hereunto set my hand, and affixed my official seal in the City and State aforesaid, the day and year first above written.

(Seal) Sandra S. Rhodes
Notary Public

My Commission Expires: 3/11/03



SCHEDULE A

United States Patents

NONE

SCHEDULE B

United States Patent Applications

NONE

SCHEDULE C

United States Trademarks

MARK	SERIAL/REG. NO.	GOODS/SERVICES
KNIT-RITE	Serial #72/418,421 Filed 03-15-1972 Reg. #962,906 Issued 07-03-1973	Stump socks, elastic hosiery, surgical corsets, spinal braces, upper and lower extremity braces, and other medical and surgical appliances in the nature of prosthetic and orthotic devices, and parts and components of such devices, such as below knee joints, above knee joints, ankle joints, back checks, leather fittings and the like in U.S. Class 44 (Int'l Class 010)
PMD (STYLIZED)	Serial #72/418,423 Filed 03-15-1972 Reg. #976,000 Issued 01-01-1994	Medical and surgical appliances—namely, braces, slings, splints, collars, supports, bandages, hosiery, [stamp socks,] crutches, canes, walkers, belts, binders, traction equipment, urinals, splinting material; and parts and components thereof, in U.S. Class 44 (Int. Cl. 005 and 010) (bracketed goods not included in Sec. 8 declaration)
CAST-RITE	Serial #73/302,331 Filed 03-23-1981 Reg. #1,185,629 Issued 01-12-1982	Casting and fracture bracing components—namely, undercast socks and sleeves in International Class 010.
COMPRESSOGRIP	Serial #73/283,557 Filed 10-27-1980 Reg. #1,207,095 Issued 09-07-1982	Elastic stump shrinker, tubular compression bandages and tubular compression stockinettes in International Class 010.
SUPER SOCK	Serial #73/267,491 Filed 06-23-1980 Reg. #1,231,519 Issued 03-15-1983	Prosthetic socks for amputees in International Class 010. No claim is made to the exclusive right to use the word "sock" apart from the mark as shown. (Supplemental Register)
KNIT-RITE AND DESIGN (LAMB AND GLOBE)	Serial #73/381,470 Filed 08-23-1982 Reg. # 1,289,939 Issued 08-14-1984	Medical, surgical and orthopedic equipment and appliances—namely, prosthetic and orthotic devices, such as, below knee joints, above knee joints, ankle joints and back checks; leather fittings, stump socks, elastic hosiery, surgical corsets, spinal braces and upper and lower extremity braces in International Class 010.
PP/L SOFT SOCK	Serial #73/501,787 Filed 10-01-1984 Reg. # 1,380,252 Issued 01-28-1986	Stump socks for amputees in International Class 010. No claim is made to the exclusive right to use "soft sock" apart from the mark as shown.

MARK	SERIAL/REG. NO.	GOODS/SERVICES
COMPRESSOPAW	Serial #73/720,041 Filed 04-01-1988 Reg. # 1,522,348 Issued 01-31-1989	Tubular elastic bandages in International Class 005.
IMPERIAL PROSTHETIC SOCK	Serial #74/114,390 Filed 11-13-1990 Reg. # 1,658,138 Issued 09-24-1991	Prosthetic socks in International Class 010. No claim is made to the exclusive right to use "prosthetic sock" apart from the mark as shown.
THE BASIC PROSTHETIC SOCK	Serial #74/114,392 Filed 11-13-1990 Reg. # 1,665,756 Issued 11-26-1991	Prosthetic socks in International Class 010. No claim is made to the exclusive right to use "prosthetic sock" apart from the mark as shown.
TORSO-INTERFACE	Serial #74/483,032 Filed 01-27-1994 Reg. #1,964,762 Issued 03-26-1996	Protective orthotic sleeve to be worn between a brace and the patient's skin in International Class 010. (Supplemental Register)

SCHEDULE D

United States Trademark Applications

MARK	SERIAL/REG. NO.	GOODS/SERVICES
GELBO	Serial #75/607,067 Filed 12-17-1998	Heel and elbow pads in International Class 010.

SCHEDULE E

Licenses

NONE