

3-29-01

04-13-2001

FORM PTO-1594 (Modified)
(Rev. 6-93)
OMB No. 0651-0011 (exp. 4/94)
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TM05/REV03

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Docket No.:

26238

Tab settings

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

1. Name of conveying party(ies):

MotionWatch, L.L.C.
9875 Widmer Road
Lenexa, KS 66215

- Individual(s)
- General Partnership
- Corporation-State
- Other Limited Liability Company
- 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: _____

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

Name: KTEC HOLDINGS, INC.

Internal Address: _____

Street Address: 214 W. 6th Street

City: Topeka State: KS ZIP: 66603

- Individual(s) citizenship _____
- Association _____
- General Partnership _____
- Limited Partnership _____
- Corporation-State Kansas
- 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)

75/424,431

Additional numbers

B. Trademark Registration No.(s)

Yes No

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

Name: Thomas B. Luebbering

Internal Address: Hovey, Williams, Timmons & Collins

Street Address: 2405 Grand Boulevard, Suite 400

City: Kansas City State: MO ZIP: 64108

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

1

7. Total fee (37 CFR 3.41):.....\$ 340.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

19-0522

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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.

Thomas B. Luebbering

Name of Person Signing

Signature

March 23, 2001

Date

Total number of pages including cover sheet, attachments, and

7

TRADEMARK

REEL: 002270 FRAME: 0018

Continuation of Box No. 2 of Recordation Form Cover Sheet:

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

Bi-State Investment Group I, L.L.C.
9875 Widmer Road
Lenexa, KS 66215

Other: Limited Liability Company

SECURITY AGREEMENT

MOTIONWATCH, L.L.C., a Kansas limited liability company (hereinafter "Debtor"), for valuable consideration, the receipt and sufficiency of which is acknowledged, hereby grants to BI-STATE INVESTMENT GROUP I, L.L.C. ("Bi-State") and KTEC HOLDINGS, INC. ("KTEC") (hereinafter individually and/or collectively, "Secured Party"), a security interest in the following property (hereinafter called the "Collateral"):

All of Debtor's interest in the patents, patent applications, trademarks and trademark applications, shown on Exhibit A attached hereto and incorporated herein, and all rights related or incident to any of the foregoing, and all products and proceeds of any of the foregoing.

To secure the payment and performance of the indebtedness and obligations set forth as follows (hereinafter "Obligations"):

All obligations of Debtor to any Secured Party under any Convertible Secured Note due December 31, 2001, the Securities Purchase Agreement and all other Financing Agreements as defined therein, of even date, and all other obligations of Debtor to any Secured Party, direct or indirect, absolute or contingent, due or to become due.

Debtor agrees that from time to time, at its expense, Debtor will execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as Secured Party may request, in order to perfect and preserve the security interest granted or purported to be granted hereby. Debtor hereby authorizes Secured Party to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without signature. Debtor will take such action and execute such additional documents as Secured Party may request in connection with this Agreement or to enforce its rights hereunder. If Debtor fails to take any such action or execute any such document, Debtor hereby authorizes Secured Party to do so in Debtor's name and on its behalf.

Debtor hereby warrants to Secured Party that (i) it owns the Collateral free and clear of all liens, restrictions and limitations; (ii) this Agreement has been duly authorized and constitutes Debtor's legal, valid and binding obligation enforceable against it in accordance with its terms; (iii) no authorization, approval or other action by any governmental authority or regulatory body is required either for the grant of a security interest in the Collateral pursuant to this Agreement or for Secured Party's exercise of the rights provided for in this Agreement or the remedies in respect of the Collateral pursuant to this Agreement; (iv) the grant of a security interest in the Collateral to Secured Party pursuant to this Agreement creates a valid and perfected first priority security interest in Secured Party's favor in the Collateral securing the satisfaction of the

Obligations; and (v) there are no options, warrants, privileges or other rights outstanding pursuant to which any of the Collateral may be acquired.

Debtor further covenants and agrees as follows:

(i) **Protection of Security and Legal Proceedings.** Debtor will, at its own expense, take any and all actions necessary to preserve, protect and defend Secured Party's security interest in the Collateral and the perfection and priority thereof against all adverse claims, including appearing in and defending any and all actions and proceedings which purport to affect any of the foregoing. Debtor will promptly reimburse Secured Party for all sums, including costs, expenses and actual attorneys' fees, which Secured Party may pay or incur in defending, protecting or enforcing Secured Party's security interest in the Collateral or perfection or the priority thereof, or in discharging any prior or subsequent lien or adverse claim against the Collateral or any part thereof, or by reason of becoming or being made a party to or intervening in any action or proceeding affecting the Collateral or Secured Party's rights therein;

(ii) **Delivery of Collateral.** Debtor shall, upon demand by Secured Party, deliver possession of any Collateral as to which Secured party's security interest need or may be perfected by, or the priority thereof need be assured by, in pledge to Secured Party, endorsed or accompanied by such instruments of assignment or transfer as Secured Party may specify and stamped or marked in such manner as Secured Party may specify;

(iii) **Use and Maintenance of Collateral.** Debtor shall: (A) comply with all laws, statutes and regulations pertaining to use and ownership of the Collateral and conduct of Debtor's business; (B) properly care for and maintain all of the Collateral in good condition, free of misuse, abuse, waste and deterioration, reasonable wear and tear of intended use excepted; and (C) keep accurate and complete books and records pertaining to the Collateral in accordance with generally accepted accounting principles;

(iv) **Sale or Hypothecation of Collateral.** Debtor shall not directly or indirectly, whether voluntarily, involuntarily, by operation of law or otherwise sell, assign, transfer, exchange, lease, lend, or grant any option with respect to or dispose of any of the Collateral, or any of Debtor's rights therein, nor create or permit to exist any lien on or with respect to any of the Collateral, except for the lien in favor of Secured Party.

Default in the payment or performance of any of the Obligations or default under any agreement evidencing any of the Obligations is a default under this Security Agreement. Upon any such default, Secured Party may declare all of the Obligations immediately due and payable and shall be entitled to exercise all the rights and remedies of a Secured Party under the Kansas Uniform Commercial Code. Reasonable attorneys' fees of the Secured Party in enforcing any right or exercising any remedy shall be deemed a part of the Obligations secured hereby.

This Agreement shall terminate immediately upon Debtor's discharge of its Obligations to Secured Party. Upon such termination, Secured Party shall have no further interest, right or claim

to the Collateral, and Secured Party shall take all actions and execute and file all documents necessary to release Secured Party's interest, right and claim to said Collateral.

For valuable consideration received by KTEC and with KTEC's knowledge that Bi-State is entering into this transaction with Debtor in reliance upon KTEC's representations, warranties and agreements contained in this paragraph, KTEC represents, warrants, agrees and covenants that any prior security interest that it has or may have in any assets of Debtor, including the security interest received in connection with the Applied Research Matching Fund Agreement and Security Agreement dated January 20, 2000 and any perfection of any security interest including financing statement No. 3313210 filed with the Kansas Secretary of State on or about February 16, 2000 relating to collateral described as Smart Splint/Knee corder and resultant technologies and products, do not concern, relate or attach to or otherwise encumber the Collateral described in this Security Agreement and identified on Exhibit A hereto and KTEC has no right or interest in such Collateral on Exhibit A other than as provided in this Security Agreement and KTEC will not claim or assert or take any action attempting to foreclose upon, assert a prior interest in or otherwise encumber any of the Collateral described on Exhibit A except in accordance with its rights pursuant to this Security Agreement.

This Agreement may not be modified except through a writing executed by the parties hereto. This Agreement shall be governed and construed in accordance with the laws of the State of Kansas.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year below written.

DATE: February 26, 2001

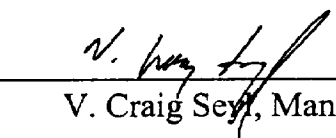
DEBTOR:

MotionWatch, L.L.C.

By


Lorry R. Nelson, Manager

By


V. Craig Seyl, Manager

DATE: February 26, 2001

SECURED PARTY:

BI-STATE INVESTMENT GROUP I, L.L.C.

By: Dale H Szymore
Dale H. Sizemore, Jr., President

DATE: February 26, 2001

KTEC HOLDINGS, INC.

By: Richard A Bendis
Richard A. Bendis, President

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EXHIBIT A

Matter	Status
U.S. Trademark Application- MOTIONWATCH; Serial No. 75/424,431; Filed 01/27/98; Docket No. 26238	Statement of Use Accepted November 4, 2000
U.S. Patent Application – JOINT MOVEMENT MONITORING SYSTEM; Serial No. 09/026,834; Filed 02/20/98; Docket No. 26239	U.S. Patent No. 5,980,472; Issued 11/09/00 3.5 Year Maintenance Fee due May 9, 2003
U.S. Patent Application – JOINT MOVEMENT MONITORING SYSTEM; Serial No. 09/429,966; Filed 10/29/99; Docket No. 26239-A	Amendment in Response to Office Action filed February 1, 2001

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