

12-17-2001



R SHEET
NLY

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

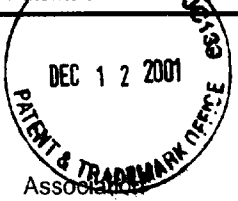
101918376

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

1. Name of conveying party(ies):
Cyberonics, Inc.
16511 Space Center Blvd.
Houston, Texas 77058

Individual(s) Association
 General Partnership Limited Partnership
 Corporation-State Delaware
 Other _____

Additional name(s) of conveying party(ies) attached? Yes No



2. Name and address of receiving party(ies)
Name: The CIT Group/Business Credit, Inc.
Internal Address: 5420 LBJ Freeway, Suite 200
Address: _____
Street Address: _____
City: Dallas State: Texas Zip: 75240

Individual(s) citizenship _____
 Association _____
 General Partnership _____
 Limited Partnership _____
 Corporation-State New York
 Other _____

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

3. Nature of conveyance:
 Assignment Merger
 Security Agreement Change of Name
 Other _____

Execution Date: September 26, 2001

4. Application number(s) or registration number(s):
A. Trademark Application No.(s)
76054227
76144238
76054228

Additional number(s) attached Yes No

B. Trademark Registration No.(s)
1727330

5. Name and address of party to whom correspondence concerning document should be mailed:
Name: Deborah M. Lodge, Esq.
Internal Address: Patton Boggs, LLP
2550 M Street, N.W.
Washington, D.C. 20037

Street Address: _____
12/14/2001 GTON11 00000083 76054227

01 FC:481 40.00 OP
02 FC:482 250.00 OP

City: _____ State: _____ Zip: _____

6. Total number of applications and registrations involved: 11

7. Total fee (37 CFR 3.41).....\$ 440.00

Enclosed
 Authorized to be charged to deposit account

8. Deposit account number: _____

(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

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

Deborah Lodge
Name of Person Signing

Deborah M. Lodge
Signature

12/17/01
Date

Total number of pages including cover sheet, attachments, and document: _____

Mail documents to be recorded with required cover sheet information to:

Repln. Ref: 12/14/2001 GTON11 0009061600 Commissioner of Patent & Trademarks, Box Assignments
DAH:500709 Name/Number:76054227 Washington, D.C. 20231
FC: 704 \$150.00 CR

Recordation Form – Continuation Sheet

Trademark Applications:

76248555 76248554 76248556 76247085

76054229

Trademark Registrations:

1671051 1586619



TRADEMARK COLLATERAL SECURITY AGREEMENT

THIS TRADEMARK COLLATERAL SECURITY AGREEMENT is made as of the 26th day of September, 2001, by and between CYBERONICS, INC., a Delaware corporation having a mailing address at 16511 Space Center Blvd., Houston, Texas 77058 ("Debtor") and THE CIT GROUP/BUSINESS CREDIT, INC., a New York corporation having a mailing address at 5420 LBJ Freeway, Suite 200, Dallas, Texas 75240 ("Lender") or such other place as Lender may designate to Debtor.

BACKGROUND

Lender has entered into a Financing Agreement with Debtor, dated as of the date hereof (the "Loan Agreement"), which provides for certain credit accommodations from Lender to Debtor. In order to induce Lender to provide the credit accommodations set forth in the Loan Agreement, Debtor agreed to execute and deliver to Lender this Trademark Collateral Security Agreement ("Security Agreement"). This Security Agreement is being executed in connection with the Loan Agreement under which Lender is granted a lien on and security interest in the Trademarks (as hereinafter defined), whereby Lender shall have the right to foreclose simultaneously on the Trademarks upon the occurrence of an Event of Default under the Loan Agreement.

NOW, THEREFORE, in consideration of the premises, Debtor and Lender hereby agree as follows:

1. Defined Terms. Unless otherwise defined herein, terms defined in the Loan Agreement shall have their defined meanings when used herein and the following terms shall have the following meanings, unless the context otherwise requires:

"Code" shall mean the Uniform Commercial Code as the same may from time to time be in effect in the State of New York.

"Collateral" shall have the meaning assigned to it in Section 2 of this Security Agreement.

"Proceeds" shall have the meaning assigned to it under Section 9-102 of the Code, and in any event, shall include, but not be limited to, (i) any and all proceeds of any insurance, indemnity, warranty or guarantee payable to Debtor from time to time with respect to any of the Collateral, (ii) any and all payments (in any form whatsoever) made or due and payable to Debtor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental body, authority, bureau or agency (or any person acting under color of governmental authority), and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Secured Obligations" shall mean (i) all Obligations (as such term is defined in the Loan Agreement), (ii) all other indebtedness, liabilities and other obligations of Debtor to Lender now or hereafter existing, whether under the Loan Agreement, the other Loan Documents (including, without limitation, this Security Agreement) or otherwise, and (iii) all extensions, renewals, modifications, increases and replacements of the forgoing.

“Security Agreement” shall mean this Trademark Collateral Security Agreement, as the same may from time to time be amended or supplemented.

“Trademarks” shall mean the U.S. registered trademarks and pending trademark applications shown in the attached Schedule A, those trademark applications and trademark registrations which are hereafter filed by Debtor with the United States Patent and Trademark Office, and all reissues and renewals of any of the foregoing, all whether now owned or hereafter acquired by Debtor.

2. Grant of Security Interest. As collateral security for the prompt payment of the Secured Obligations, Debtor hereby grants and conveys to Lender a security interest in and to (a) the entire right, title and interest of Debtor in and to the Trademarks, including the registrations and applications appurtenant thereto, listed in Schedule A hereto (as the same may be amended pursuant hereto from time to time), and in and to any and all trademarks, and registrations and applications appurtenant thereto, hereafter acquired or filed by Debtor, including without limitation all renewals thereof, all proceeds of infringement suits, the rights to sue for past, present and future infringements and all rights corresponding thereto in the United States and all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof and the goodwill of the business to which each of the Trademarks relates and to the extent not otherwise included, all Proceeds of any or all of the foregoing. All of the property referred to in this Section 2 is hereinafter collectively called the “Collateral.”:

3. New Trademarks. If, before the Secured Obligations shall have been paid in full, Debtor shall obtain rights to any new trademarks or become entitled to the benefit of any trademark application or trademark for any reissue, division, continuation, renewal, extension, or continuation in part of any Trademark of any improvement on any Trademark, the provisions of Section 2 shall automatically apply thereto and Debtor shall give Lender prompt written notice thereof. Debtor grants Lender a limited power-of-attorney, irrevocable so long as the Loan Agreement is in existence, to modify this Security Agreement by amending Schedule A solely to include any future trademarks, including trademark registrations or applications appurtenant thereto covered by this Security Agreement.

4. Lender’s Appointment as Attorney-in-Fact. Debtor hereby irrevocably constitutes and appoints Lender and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Debtor and in the name of Debtor or in its own name, from time to time in Lender’s discretion, solely for the purposes of carrying out the terms of this Security Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Security Agreement. This power of attorney is a power coupled with an interest and shall be irrevocable. Notwithstanding the foregoing, Debtor further agrees to execute any additional documents which Lender may require in order to confirm this power of attorney, or which Lender may deem necessary to enforce any of its right contained in this Security Agreement.

5. Execution of Power of Attorney. Concurrently with the execution and delivery hereof, Debtor is executing and delivering to Lender, in the form of Schedule B hereto, ten (10) originals of a Power of Attorney for the implementation of the assignment, sale or other disposal of the Trademarks after the occurrence of an Event of Default.

6. Remedies, Rights Upon Event of Default. If an Event of Default shall occur, Lender shall have all rights and remedies at law and in equity vis-à-vis the Collateral or otherwise, including, but not limited to, those rights and remedies set forth in the Loan Agreement, this Security Agreement, the other Loan Documents or otherwise as provided by law.

7. Termination. At such time as Debtor shall completely pay in full all of the Secured Obligations and the Loan Agreement is terminated, this Security Agreement shall terminate and Lender shall execute and deliver to Debtor all such releases, deeds, assignments and other instruments as may be necessary or proper to re-vest in Debtor full title to the Trademarks, subject to any disposition thereof which may have been made by Lender pursuant hereto.

8. Notices. Any notice to Lender and Debtor shall be delivered as set forth in the Loan Agreement.

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

10. Cumulative Remedies. All of Lender's rights and remedies with respect to the Collateral, whether established hereby or by the Loan Agreement, or by any other agreements or by law, shall be cumulative and may be exercised singularly or concurrently.

11. Severability. The provisions of this Security 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 Security Agreement in any jurisdiction.

12. No Modification Except in Writing. This Security Agreement is subject to modification only by a writing signed by the parties, except as provided in Sections 3 and 4.

13. Successors and Assigns. The benefits and burdens of this Security Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties.

14. Governing Law. The validity and interpretation of this Security Agreement and the rights and obligations of the parties shall be governed by the laws of the State of New York.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

SCHEDULE A

Schedule A to a Trademark Collateral Security Agreement dated as of September 26, 2001, by and between CYBERONICS, INC. and THE CIT GROUP/BUSINESS CREDIT, INC.

<u>Reg. No. or Application No.</u>	<u>Mark</u>	<u>Reg. or Filing Date</u>
1727330	NCP	October 17, 1992
76054227	CyberWatch	May 23, 2000
76144238	Neuro Star	October 10, 2001
76054228	CyberPager	May 23, 2000
76248555	CyberWand	May 1, 2001
76248554	CyberMouse	May 1, 2001
76248556	VNS	May 1, 2001
76247085	“We’re In It For Life”	April 27, 2001
76054229	VNS	May 23, 2000
1671051	Cyberonics	January 7, 1992
1586619	Cyberonics	March 13, 1990

SCHEDULE B

SPECIAL POWER OF ATTORNEY

[See Attached]

SPECIAL POWER OF ATTORNEY

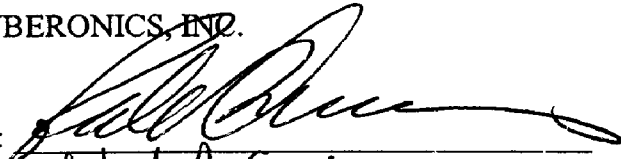
STATE OF Texas)
 :
 COUNTY OF Harris) ss.:

KNOW ALL MEN BY THESE PRESENTS, that CYBERONICS, INC., a corporation formed under the laws of Delaware, with its principal office at 16511 Space Center Blvd., Houston, Texas 77058 (hereinafter called "Debtor"), pursuant to a Trademark Collateral Security Agreement, dated the date hereof (the "Security Agreement"), hereby appoints and constitutes THE CIT GROUP/BUSINESS CREDIT, INC., having a mailing address at 5420 LBJ Freeway, Suite 200, Dallas, Texas 75240 (hereinafter called the "Lender"), its true and lawful attorney, with full power of substitution, and with full power and authority to perform the following acts on behalf of Debtor:

1. Assigning, selling or otherwise disposing of all right, title and interest of Debtor in and to the Trademarks listed on Schedule A of the Security Agreement, and including those trademarks which are added to the same subsequent hereto, and all registrations and recordings thereof, and all pending applications therefor, and for the purpose of the recording, registering and filing of, or accomplishing any other formality with respect to the foregoing, and to execute and deliver any and all agreements, documents, instruments of assignment or other papers necessary or advisable to effect such purpose;
2. To execute any and all documents, statements, certificates or other papers necessary or advisable in order to obtain the purposes described above as Lender may in its sole discretion determine.

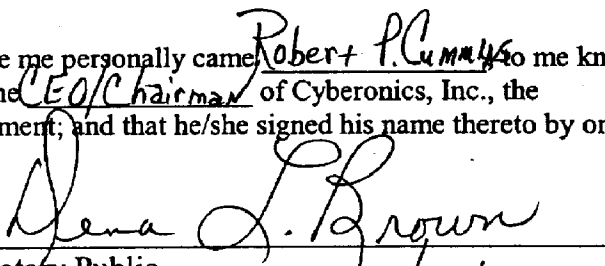
This power of attorney is made pursuant to the Security Agreement between Debtor and Lender and may not be revoked until the payment in full of all Secured Obligations as defined in such Security Agreement.

CYBERONICS, INC.

By: 
Name: Robert P. Cummins
Title: Chief Executive Officer

STATE OF Texas)
 :
 COUNTY OF Harris) ss.:

On this 25 day of September, 2001, before me personally came Robert P. Cummins to me known, who, being by me duly sworn, did depose and say that he/she is the CEO/Chairman of Cyberonics, Inc., the corporation described in and which executed the foregoing instrument; and that he/she signed his name thereto by order of the Board of Directors of said corporation.


Notary Public
My Commission Expires: 10/19/03