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Form PTO-1594 (Rev. 10/02) OMB No. 0651-0027 (exp. 6/30/2005) Tab settings



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

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

1. Name of conveying party(ies): Hypoguard USA Inc.

1.20.04

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

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

2. Name and address of receiving party(ies) Name: The Governor and Company of the Bank of Scotland Internal Address:

Street Address: 38 Albyn Place, Aberdeen AB10 1ZS Scotland City: State: Zip:

- Individual(s) citizenship Association General Partnership Limited Partnership Corporation-State Other incorporated by act of parliament in Scotland

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: 01/16/2004

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

A. Trademark Application No.(s)

B. Trademark Registration No.(s) 2,088,059

Additional number(s) attached Yes No

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

Name: George Humphrey, Esq.

Internal Address: ANDREWS KURTH LLP

Street Address: 600 TRAVIS, SUITE 4200

City: HOUSTON State: TX Zip: 77002

6. Total number of applications and registrations involved: 1

7. Total fee (37 CFR 3.41): \$ 40

- Enclosed Authorized to be charged to deposit account

8. Deposit account number:

50-0897/85747

DO NOT USE THIS SPACE

9. Signature.

George Humphrey Name of Person Signing

Signature

01/16/2004 Date

Total number of pages including cover sheet, attachments, and document: 30

02/02/2004 EDOOPER 00000151 500897 2088059

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

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PATENT, TRADEMARK AND LICENSE SECURITY AGREEMENT

THIS PATENT, TRADEMARK AND LICENSE SECURITY AGREEMENT (this "Agreement") dated as of January 10, 2004, is made by HYPOGUARD USA, INC., a Delaware corporation (together with its permitted successors and assigns, "Grantor"), address is 7301 Ohms Lane, Edina, Minnesota 55439, to THE GOVERNOR AND COMPANY OF THE BANK OF SCOTLAND, incorporated by act of parliament in Scotland, as lender (in such capacity, and together with its successors and assigns, the "Lender") under the Financing Documents (as defined below).

PRELIMINARY STATEMENTS

A. Lender and Medisys PLC, a Scottish public limited company (Company Number SC88634) ("Medisys" and together with Grantor, the "Revolving Loan Borrowers"), originally entered into that certain facility letter, dated September 18, 2000, which was later amended and restated by that certain letter, dated December 20, 2000, and that certain letter, dated November 23, 2002, each among Lender, Medisys and Grantor (collectively, and as further amended, supplemented, modified or extended and in effect from time to time, the "Revolving Loan Facility Letter"), which Revolving Loan Facility Letter provides for a Revolving Credit Facility (as defined in the Revolving Loan Facility Letter) not to exceed £15,000,000.

B. In connection with the Revolving Loan Facility Letter, (i) Grantor entered into, among other things, (a) a Security Agreement, dated as of January 31, 2001 (the "Hypoguard Revolving Loan Security Agreement"), to Lender, and (b) a Guaranty, dated as of January 31, 2001 (the "Hypoguard Revolving Loan Guaranty"; and together with the Hypoguard Revolving Security Agreement, the "Hypoguard Revolving Loan Security Documents"), to Lender, (ii) Grantor, as successor by merger of Futura Medical Corporation, a Delaware corporation, entered into, among other things, (a) a Security Agreement, dated as of January 31, 2001 (the "Futura Revolving Loan Security Agreement"), to Lender, and (b) a Guaranty, dated as of January 31, 2001 (the "Futura Revolving Loan Guaranty", and together with the Futura Revolving Loan Security Agreement, the "Futura Revolving Loan Security Documents"), and (iii) Grantor, as successor by merger of Futura Medical Technologies Inc., a Delaware corporation, entered into, among other things, (a) a Security Agreement, dated as of January 31, 2001 (the "Futura Technologies Revolving Loan Security Agreement"), to Lender, and (b) a Guaranty, dated as of January 31, 2001 (the "Futura Technologies Revolving Loan Guaranty", and together with the Futura Technologies Revolving Loan Security Agreement, Hypoguard Revolving Loan Security Documents and Futura Revolving Loan Security Documents, the "Revolving Loan Security Documents").

C. The Revolving Loan Borrowers have requested that Lender extend to (i) Medisys a new term loan not to exceed \$15,000,000 to be used solely to refinance Tranche B of the Revolving Credit Facility, and (ii) Medisys, Grantor, Biocure Limited, a Scottish private limited company (Registered Number SC114405) ("Biocure"), and Hypoguard Limited, an English private limited company (Registered Number 01912532) ("Hypoguard Limited", and

together with Medisys, Grantor and Biocure, the "Borrowers") a working capital facility not to exceed £5,000,000, together with certain payment systems.

D. In response to such request, (i) Medisys and Lender have entered into that certain facility letter, dated January ____, 2004 (the "Term Loan Facility Letter"), providing for, among other things, a term loan not to exceed \$15,000,000 to be used solely to refinance Tranche B of the Revolving Credit Facility, as more particularly described in and on the terms and conditions set forth in the Term Loan Facility Letter, and (ii) the Borrowers and Lender have entered into that certain letter dated January ____, 2004 (the "Working Capital Facility Letter", and together with the Term Loan Facility Letter, the "New Facility Letters"; the Revolving Loan Facility Letter and the New Facility Letters are collectively referred to in this Agreement as the "Facility Letters"), providing for, among other things, a working capital facility not to exceed £5,000,000 and certain payment systems, as more particularly described in and on the terms and conditions set forth in the Working Capital Facility Letter.

E. Each of the New Facility Letters require Grantor to provide certain security to Lender.

F. The Grantor is an indirect subsidiary of Medisys and an affiliate of the other Borrowers.

G. To the extent any of the credits extended under the New Facility Letters, including, without limitation, the Term Loan (as defined in the Term Loan Facility Letter) and the working capital and payment systems facilities under the Working Capital Facility Letter, are used to refinance the Revolving Credit Facility or any working capital and payment system facilities under the Revolving Loan Facility Letter, Lender shall be, for all purposes, subrogated to the position of Lender under the Revolving Credit Facility, Revolving Loan Facility Letter and Revolving Loan Security Documents.

H. It is a conditions precedent to the obligations of Lender under the New Facility Letters that Grantor enter into this Agreement to secure, among other things, the obligations of the Borrowers, as applicable, under the Facility Letters.

NOW, THEREFORE, in consideration of the premises and in order to induce the Lender to enter into and extend credit pursuant to the New Facility Letters, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Grantor hereby agrees as follows:

1. Interpretation; Defined Terms.

(a) The capitalized terms used in this Agreement which are defined in the Term Loan Facility Letter and not otherwise defined in this Agreement have, as used in this Agreement, the respective meanings provided for in the Term Loan Facility Letter, as applicable.

(b) Unless otherwise defined herein or in the Term Loan Facility Letter, as applicable, terms defined in Article 9 of the UCC are used herein as therein defined.

(c) As used in this Agreement, the following terms shall have the following meanings:

“*Agreement*” has the meaning specified in the Introduction.

“*Biocure*” has the meaning specified in the Preliminary Statements.

“*Borrowers*” has the meaning specified in the Preliminary Statements.

“*Collateral*” means the Trademark Collateral and the Patent Collateral.

“*Default Rate*” has the meaning specified in the Term Loan Facility Letter.

“*Event of Default*” has the meaning specified in the Term Loan Facility Letter.

“*Facility Letters*” has the meaning specified in the Preliminary Statements.

“*Financing Documents*” means the Facility Letters, the Security Documents, and any other agreement, deed, document or letter now or hereafter setting out the terms of or constituting any indebtedness of any Obligor to the Lender together with any documents ancillary or relating to all or any of them.

“*Futura Revolving Loan Guaranty*” has the meaning specified in the Preliminary Statements.

“*Futura Revolving Loan Security Agreement*” has the meaning specified in the Preliminary Statements.

“*Futura Revolving Loan Security Documents*” has the meaning specified in the Preliminary Statements.

“*Futura Technologies Revolving Loan Guaranty*” has the meaning specified in the Preliminary Statements.

“*Futura Technologies Revolving Loan Security Agreement*” has the meaning specified in the Preliminary Statements.

“*Grantor*” has the meaning specified in the Introduction.

“*Group*” has the meaning set forth in the Facility Letters.

“Group Company” has the meaning set forth in the Facility Letters.

“Hypoguard Limited” has the meaning specified in the Preliminary Statements.

“Hypoguard Revolving Loan Guaranty” has the meaning specified in the Preliminary Statements.

“Hypoguard Revolving Loan Security Agreement” has the meaning specified in the Preliminary Statements.

“Hypoguard Revolving Loan Security Documents” has the meaning specified in the Preliminary Statements.

“Inventory” means all “inventory” (as defined in the UCC) in all of its forms, wherever located, now or hereafter existing and whether acquired by purchase, merger or otherwise, including, without limitation, (a) all goods held for sale or lease or to be furnished under contracts of service or so leased or furnished and (b) all raw materials, work in process, all finished goods and all materials and supplies used, consumed or to be used or consumed in the manufacture, packing, shipping, advertising, selling, leasing or production of such inventory including (whether or not included in such UCC definition) goods in which the Grantor has an interest in mass or joint or other interest or right of any kind and goods that are returned to or repossessed by the Grantor and all accessions thereto and products thereof and all documents of title therefor.

“Lender” has the meaning specified in the Introduction.

“Medisys” has the meaning specified in the Preliminary Statements.

“New Facility Letters” has the meaning specified in the Preliminary Statements.

“Obligor” means any member of the Group which has or which will have any liability (actual or contingent) and whether alone or jointly with any other Person and whether as principal debtor, cautioner, guarantor or surety or otherwise (or as the equivalent obligor under the laws of any jurisdiction) to the Lender for the payment or repayment of any amounts outstanding or capable of becoming outstanding under the Financing Documents.

“Patent Collateral” has the meaning specified in paragraph 4.

“Person” means any individual or person, or general partnership, limited partnership, limited liability partnership, company (including any limited liability company or joint stock company), corporation (including any non-profit corporation), joint venture, estate, trust, business trust, cooperative, association, foreign trust or foreign business organization or governmental authority and their equivalents in jurisdictions outside of the United States.

“Proceeds” has the meaning specified in the UCC, including, without limitation, all proceeds of, and all other profits, rentals or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of, or realization upon, Collateral, including all claims of the Grantor against third parties for loss of, damage to or destruction of, or for proceeds payable under, or unearned premiums with respect to, policies of insurance in respect of, any Collateral, and any condemnation or requisition payments with respect to any Collateral, in each case whether now existing or hereafter arising.

“Revolving Credit Facility” has the meaning specified in the Revolving Loan Facility Letter.

“Revolving Loan Borrowers” has the meaning specified in the Preliminary Statements.

“Revolving Loan Facility Letter” has the meaning specified in the Preliminary Statements.

“Revolving Loan Security Documents” has the meaning specified in the Preliminary Statements.

“Secured Liabilities” means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or as principal debtor, cautioner, guarantor, surety or otherwise or as the equivalent obligor under the laws of any jurisdiction) of each Obligor, including, without limitation, the Grantor hereunder, to the Lender under all or any of the Financing Documents together with:

- (i) all costs, charges and expenses incurred by the Lender in connection with the protection, preservation or enforcement of its rights under the Financing Documents;
- (ii) any refinancing, novation, refunding, deferral or extension of or increase in any of those obligations or liabilities;
- (iii) any further advances which may be made by the Lender to any Obligor under any agreement expressed to be supplemental to any of the Financing Documents and all interest, fees and costs in connection therewith;
- (iv) any claim for damages or restitution in the event of rescission of any of those obligations or liabilities or otherwise in connection with the Financing Documents;
- (v) any claim against any Obligor flowing from the recovery by an Obligor of a payment or discharge in respect of any of those obligations or liabilities on grounds of preference or otherwise; and
- (vi) any amounts which would be included in any of the foregoing but for any discharge, non-provability, unenforceability or non-allowability of the same in any insolvency or other proceedings.

“Security Documents” means each of the documents executed by all or any member of the Group from time to time (including, without limitation, this Agreement, the Facility Letters, the Revolving Loan Security Documents and the other Security Documents (as defined in the

Facility Letters) in order to provide the Lender with security for any obligations of any Person to the Lender or to guarantee such obligations.

“*Security Interests*” means the security interests granted pursuant to paragraphs 4, 5, and 7 as well as all other security interests created or assigned as additional Collateral for the Secured Liabilities pursuant to the provisions of this Agreement.

“*Term Loan*” has the meaning specified in the Term Loan Facility Letter.

“*Term Loan Facility Letter*” has the meaning specified in the Preliminary Statements.

“*Trademark Collateral*” has the meaning specified in paragraph 4.

“*UCC*” means the Uniform Commercial Code in effect from time to time in the State of Minnesota; *provided* that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the Security Interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of Minnesota, “*UCC*” means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection.

“*Working Capital Facility Letter*” has the meaning specified in the Preliminary Statements.

- (d) In this Agreement, unless a clear contrary intention appears:
- (i) the singular number includes the plural number and *vice versa*;
 - (ii) reference to any gender includes each other gender;
 - (iii) the words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular paragraph or other subdivision;
 - (iv) reference to any Person includes such Person’s successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually, *provided* that nothing in this clause (iv) of paragraph 1(d) is intended to authorize any assignment not otherwise permitted by this Agreement;
 - (v) reference to any agreement (including this Agreement, the Facility Letters and the other Financing Documents), document or instrument means such agreement, document or instrument as amended, supplemented, modified or extended and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof, and references to any note includes any note issued in renewal,

rearrangement, reinstatement, enlargement, amendment, modification, extension, substitution or replacement therefor;

(vi) unless the context indicates otherwise, reference to any paragraph, clause, Schedule or Exhibit means such paragraph or clause hereof or such Schedule or Exhibit hereto;

(vii) the word "including" (and with correlative meaning "include") means including, without limiting the generality of any description preceding such term;

(viii) with respect to the determination of any period of time, the word "from" means "from and including" and the word "to" means "to but excluding"; and

(ix) reference to any law, ordinance, statute, code, rule, regulation, interpretation or judgment means such law, ordinance, statute, code, rule, regulation, interpretation or judgment as amended, modified, codified or reenacted, in whole or in part, and in effect from time to time.

(e) The paragraph headings herein are for convenience only and shall not affect the construction hereof.

(f) No provision of this Agreement shall be interpreted or construed against any Person solely because that Person or its legal representative drafted such provision.

2. Incorporation of Preliminary Statements. The Preliminary Statements set forth above are incorporated into this Agreement by this reference thereto and are made a part hereof.

3. Intentionally deleted.

4. Security Interest in Trademark Collateral. To secure the complete and timely payment, performance and satisfaction of all of the Secured Liabilities, Grantor hereby grants to Lender a continuing security interest, as and by way of a first mortgage and security interest having priority over all other security interests, with power of sale to the extent permitted by applicable law, in, to and under all of Grantor's right, title and interest in, to and under the following, now owned or existing and hereafter acquired or arising (collectively, the "Trademark Collateral"):

(A) trademarks, registered trademarks, trademark applications, service marks, registered service marks and service mark applications, including, without limitation, the trademarks, registered trademarks, trademark applications, service marks, registered service marks and service mark applications listed on Schedule A attached hereto and made a part hereof, and (i) all

renewals, amendments, corrections and replacements thereof, (ii) all income, royalties, damages and payments now and hereafter due, subsisting and/or payable under or with respect thereto, including, without limitation, payments under all licenses entered into in connection therewith and damages and payments for past, present or future infringements or dilutions thereof, (iii) the right to sue for past, present and future infringements and dilutions thereof, (iv) the goodwill of Grantor's business symbolized by the foregoing and connected therewith, and (v) all of Grantor's rights corresponding thereto throughout the world; and

(B) all other products and Proceeds of the foregoing, including, without limitation, any claim by Grantor against third parties for past, present or future infringement or dilution of any trademark, registered trademark, service mark, or registered service mark, including, without limitation, any trademark, registered trademark, service mark, or registered service mark referred to in Schedule A annexed hereto, and any trademark, registered trademark, service mark, or registered service mark issued pursuant to a trademark application or service mark application referred to in Schedule A.

5. Security Interest in the Patent Collateral. To secure the complete and timely payment, performance and satisfaction of all of the Secured Liabilities, Grantor hereby grants to Lender a continuing security interest, as and by way of a first mortgage and security interest having priority over all other security interests, with power of sale to the extent permitted by applicable law, in, to and under all of Grantor's right, title and interest in, to and under the following, now owned or existing and hereafter acquired or arising (collectively, the "Patent Collateral"):

(A) each U.S. or foreign patent or any foreign counterpart thereof, including, without limitation, each patent referred to in Schedule B annexed hereto and made a part hereof, as well as all reissues, reexaminations, renewals, substitutes, extensions and improvements thereof, for the United States, its territories and possessions and all foreign countries, including without limitation, all rights of action arising therefrom, all claims for damages by reason of past infringement thereof and the right to sue and collect damages for such infringement; each U.S. or foreign patent application or any foreign counterpart thereof, including, without limitation, each patent application referred to in Schedule B annexed hereto; as well as all continuations, divisions, continuations-in-part, renewals, substitutes or improvements thereof and any associated right to file for or pursue any of the foregoing, and any associated right to file corresponding patent

applications (or foreign counterparts thereof) in the United States and any and all foreign countries, and to claim priority under any and all treaties and conventions applicable to such corresponding applications; each discovery, invention, design and disclosure of any of the foregoing, whether or not patentable or eligible for other protection as industrial or other intangible property in any jurisdiction world wide; and

- (B) (i) all income, royalties, damages and payments now and hereafter due, subsisting and/or payable under or with respect thereto, including, without limitation, payments under all licenses entered into in connection therewith and damages and payments for past, present or future infringements thereof, (ii) the right to sue for past, present and future infringements thereof, (iii) all of Grantor's rights corresponding thereto throughout the world, and (iv) all other products or Proceeds of the foregoing.

6. Restrictions on Future Agreements; Obligations With Respect to Collateral.

Grantor will not, without Lender's prior written consent, enter into any agreement, including, without limitation, any license agreement, which is inconsistent with this Agreement, and Grantor further agrees that it will not take any action, and will use its best efforts not to permit any action to be taken by others, including, without limitation, licensors or licensees, or fail to take any action, which would in any respect affect the validity or enforcement of the rights transferred to Lender under this Agreement or the rights associated with the Collateral.

Notwithstanding the foregoing, Grantor may in the ordinary course of its business, without the prior consent of Lender, abandon or cease to maintain Collateral to the extent the Collateral is and shall not be necessary or economically desirable in the operation of Grantor's business, as determined in the reasonable business judgment of Grantor; provided that Lender receives a written notice from Grantor (i) identifying the Collateral abandoned or otherwise that has ceased to be maintained, and (ii) describing in detail why the Collateral was so abandoned or ceased to be maintained, including, without limitation, why the Collateral is no longer necessary or economically desirable to Grantor's business, within 15 days after such Collateral has been abandoned or ceased to be maintained.

7. New Trademarks Collateral and Patent Collateral. Grantor represents and warrants that, (i) the Trademark Collateral listed on Schedule A include all of the trademarks, registered trademarks, trademark applications, service marks, registered service marks and service mark applications now owned or held by Grantor or in which Grantor has any right, title or interest, and (ii) the Patent Collateral listed on Schedule B include all of the patents and foreign counterparts thereof and patent applications and foreign counterparts thereof now owned or

held by Grantor or in which Grantor has any right, title or interest, (iii) Grantor owns good and marketable title to the Collateral and there are no liens, claims or encumbrances in such Collateral as of the date hereof, except for those in favor of Lender, and (iv) no liens, claims or encumbrances in such Collateral will be granted by Grantor to any Person or asserted by any Person against Grantor other than Lender. If, prior to the termination of this Agreement, Grantor shall obtain rights to any new trademarks, registered trademarks, trademark applications, service marks, registered service marks, service mark applications, patents or foreign counterparts thereof or patent applications or foreign counterparts thereof, the provisions of paragraphs 4 and 5 above shall automatically apply thereto. Grantor shall give to Lender written notice of events described in the preceding sentence promptly after the occurrence thereof, but in any event not less frequently than on a quarterly basis. Grantor hereby authorizes Lender to modify this Agreement unilaterally (x) by amending Schedule A to include any future trademarks, registered trademarks, trademark applications, service marks, registered service marks and service mark applications, by amending Schedule B to include any future patents or foreign counterparts thereof or patent applications or foreign counterparts thereof, which are Trademarks Collateral or Patent Collateral under paragraph 4 and 5 above or under this paragraph 7, as applicable, and (y) by filing, in addition to and not in substitution for this Agreement, a duplicate original of this Agreement containing on Schedule A, and Schedule B thereto, as applicable, such future trademarks, registered trademarks, trademark applications, service marks, registered service marks, service mark applications, patents and foreign counterparts thereof, and patent applications and foreign counterparts thereof.

8. Licenses and Royalties. Grantor hereby agrees that the use by Lender of the Trademarks Collateral and Patent Collateral as authorized hereunder in connection with Lender's exercise of its rights and remedies under paragraph 16 shall be coextensive with Grantor's rights under the Trademarks Collateral and Patent Collateral and with respect thereto.

9. Books and Records; Right to Inspect; Further Assignments and Security Interests. The Grantor shall keep full and accurate books and records relating to the Collateral, and stamp or otherwise mark such books and records in such manner as the Lender may request in order to reflect the Security Interests. Lender shall at all reasonable times (and at any time when an Event of Default or default exists under any of the Financing Documents) have access to, examine, audit, make copies (at Grantor's expense) and extracts from and inspect Grantor's premises and examine Grantor's books, records and operations relating to the Trademarks Collateral and Patent Collateral. From and after the occurrence of an Event of Default or a default under any of the Financing Documents, Grantor agrees that Lender, or a conservator appointed by Lender, shall have the right to establish such reasonable additional product quality controls as Lender or such conservator,

in its sole and absolute judgment, may deem necessary to assure maintenance of the quality of products sold by Grantor under the Trademark Collateral and the Patent Collateral or in connection with which such Trademark Collateral and Patent Collateral are used. Grantor agrees (i) not to sell or assign its respective interests in, or grant any license under, the Trademarks Collateral and the Patents Collateral without the prior written consent of Lender, (ii) to maintain the quality of such products as of the date hereof, and (iii) not to change the quality of such products in any material respect without Lender's prior written consent.

Notwithstanding the foregoing, Grantor may, without the prior consent of Lender, enter into agreements in the ordinary course of Grantor's business that license the use of Collateral incident to the distribution, sale or manufacture of products by the Grantor, provided (1) any such agreement is necessary or economically desirable to Grantor's business, and (2) Lender receives a written notice from Grantor, within 15 days of the execution of the agreement, describing in detail the reason for and benefits of the agreement including, without limitation, why the agreement is necessary or economically desirable to Grantor's business, and attaches a true, correct and complete copy of the agreement to such notice.

10. Nature and Continuation of Lender's Security Interest; Termination of Lender's Security Interest; Reinstatement; Security Interests Absolute; Certain Covenants, Representations and Warranties.

- (A) This Agreement is made for collateral security purposes only and shall not subject the Lender to, or transfer or in any way affect or modify, any obligation or liability of the Grantor with respect to any of the Collateral or any transaction in connection therewith. This Agreement shall create a continuing security interest in the Collateral and shall terminate only when the Secured Liabilities have been paid in full in cash and the Financing Documents have been terminated. When this Agreement has terminated, Lender shall promptly execute and deliver to Grantor, at Grantor's expense, all termination statements and other instruments as may be necessary or proper to terminate Lender's security interest in the Collateral, subject to any disposition thereof which may have been made by Lender pursuant to this Agreement or the Financing Documents.
- (B) The Grantor agrees that, if at any time all or any part of any payment theretofore applied by the Lender to any of the Secured Liabilities is or must be rescinded or returned by the Lender for any reason whatsoever (including the insolvency, bankruptcy or reorganization of the Grantor or any of its affiliates), such Secured Liabilities shall, for the purposes of this Agreement, to the extent that such payment is or must be rescinded or returned, be deemed

to have continued in existence, notwithstanding such application by the Lender, and the security interest granted under this Agreement shall continue to be effective or be reinstated, as the case may be, as to such Secured Liabilities, all as though such application by the Lender had not been made.

(C) All rights of the Lender and the Security Interests, and all obligations of the Grantor hereunder, shall be absolute and unconditional, irrespective of:

(i) any lack of validity or enforceability of the Facility Letters, the other Financing Documents or any other agreement or instrument relating thereto;

(ii) any change in the time, manner, or place of payment of, or in any other term of, all or any of the Secured Liabilities or any other amendment or waiver of or any consent to any departure from the Facility Letters or the other Financing Documents;

(iii) any exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Secured Liabilities; or

(iv) any other circumstances which might otherwise constitute a defense available to, or a discharge of, the Obligors or a third party grantor of a security interest.

(D) The Grantor covenants and agrees that:

(i) Grantor will not change its name, identity or corporate structure in any manner unless it shall have given the Lender not less than forty-five (45) days prior notice thereof and delivered an opinion of counsel with respect thereto in accordance with Section 4(k).

(ii) The Grantor will, from time to time, at its expense, execute, deliver, file and record any statement, assignment, instrument, document, agreement or other paper and take any other action (including any filings of financing or continuation statements under the UCC) that from time to time may be necessary or desirable, or that the Lender may reasonably request, in order to create, preserve, upgrade in rank (to the extent required hereby), perfect, confirm or validate the Security Interests or to enable the

Lender to obtain the full benefits of this Agreement, or to enable the Lender to exercise and enforce any of its rights, powers and remedies hereunder with respect to any of the Collateral. To the extent permitted by law, the Grantor hereby authorizes the Lender to execute and file financing statements or continuation statements without the Grantor's signature appearing thereon and to record this Agreement with the United States Patent and Trademark Office. The Grantor agrees that a carbon, photographic or other reproduction of this Agreement or of a financing statement is sufficient as a financing statement. The Grantor shall pay the costs of, or out-of-pocket costs incidental to, any recording or filing of any financing or continuation statements concerning the Collateral.

(E) The Grantor represents and warrants as follows:

(i) This Agreement creates a valid and perfected first priority security interest in the Collateral, securing the payment of the Secured Liabilities, and all filings and other actions necessary or desirable to perfect and protect such security interest have been duly taken.

(ii) No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for the grant by the Grantor of the security interest granted hereby or for the execution, delivery or performance of this Agreement by the Grantor or (ii) for the perfection of or the exercise by the Lender of its rights and remedies hereunder.

(iii) It is a private limited company duly organized, validly existing and in good standing under the laws of its jurisdiction of formation, qualified to do business in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure so to qualify would not have a material adverse effect on its financial condition, operations, prospects or business.

(iv) It is not in violation of any applicable law, which violations, individually or in the aggregate, would affect its performance of any obligation under this Agreement. There is no litigation before any court or governmental authority now pending or (to its knowledge after reasonable inquiry) threatened against it which, if adversely determined, could reasonably be expected to have a material adverse effect on its financial condition, operations, prospects or business as a whole, or ability to perform all its obligations under this Agreement.

(v) It is the holder of all governmental approvals, permits and licenses

required to permit it to enter into and perform its obligations under this Agreement.

(vi) None of the execution and delivery of this Agreement, the consummation of the transactions contemplated in this Agreement, or compliance with the terms and provisions of this Agreement will conflict with or result in a breach of, or require any consent under, its charter or bylaws, or any applicable law, or any agreement or instrument to which it is a party or by which it is bound or to which it or any of its respective assets are subject, or constitute a default under any such agreement or instrument.

(vii) It has all necessary power and authority to execute, deliver and perform its respective obligations under this Agreement; and its execution, delivery and performance of this Agreement has been duly authorized by all necessary action on its part; and this Agreement has been duly and validly executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization or moratorium or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles.

11. Duties of Grantor and Lender.

(A) Grantor shall have the duty to: (i) prosecute diligently and in good faith any trademark application, service mark application, patent application or foreign counterpart thereof that is part of the Trademark Collateral or Patent Collateral pending as of the date hereof or hereafter until the termination of this Agreement, and (ii) make application for trademarks, service marks and patents or foreign counterparts thereof consistent with the prudent operation of Grantor's affairs in the ordinary course of its business. Grantor further agrees to use its best efforts to maintain in full force and effect the Trademarks Collateral and Patent Collateral that are or shall be necessary or economically desirable in the operation of Grantor's business. Any expenses incurred in connection with the foregoing shall be borne by Grantor. Lender shall not have any duty or obligation with respect to the Trademark Collateral or Patent Collateral. Without limiting the generality of the foregoing, Lender shall not be under any obligation to take any steps necessary to preserve rights in the Trademarks Collateral or Patent Collateral against any other parties, but may do so at its option from and after the occurrence of an Event of Default or a default

under any of the Financing Documents, and all expenses incurred in connection therewith shall be for the sole account of Grantor and shall be added to the Secured Liabilities.

(B) The powers conferred on the Lender hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for reasonable care in the custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Lender shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. The Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Lender accords its own property, it being understood that the Lender shall not be liable or responsible for any loss or damage to any of the Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehouseman, carrier, forwarding agency, consignee or other bailee selected by the Lender in good faith.

12. Lender's Right to Sue. From and after the occurrence of an Event of Default or a default under any of the Financing Documents, Lender shall have the right, but shall not be obligated, to bring suit in its own name or in the name of Grantor to enforce the Trademark Collateral or the Patent Collateral and to join Grantor in any such suits. If Lender shall commence any such suit, Grantor 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. Grantor shall, upon demand, promptly reimburse Lender for all costs and expenses incurred by Lender in the exercise of its rights under this paragraph 12 (including, without limitation, fees and expenses of attorneys and paralegals for Lender).
13. Waivers. Lender's failure, at any time or times hereafter, to require strict performance by Grantor of any provision of this Agreement shall not waive, affect or diminish any right of Lender thereafter to demand strict compliance and performance therewith nor shall any course of dealing between Grantor and Lender have such effect. No single or partial exercise of any right hereunder shall preclude any other or further exercise thereof or the exercise of any other right. None of the undertakings, agreements, warranties, covenants and representations of Grantor contained in this Agreement shall be deemed to have been suspended or waived by Lender unless such suspension or waiver is in writing signed by an officer of Lender and directed to Grantor specifying such suspension or waiver.
14. Severability. Whenever possible, each provision of this Agreement shall be

interpreted in such manner as to be effective and valid under applicable law, but 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 hereof, 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. Modification. This Agreement cannot be altered, amended or modified in any way, except as specifically provided in paragraphs 4, 5 and 7 hereof or by a writing signed by Grantor and Lender.
16. Cumulative Remedies; Power of Attorney; Deficiency; Application of Proceeds.
- (A) Grantor hereby irrevocably designates, constitutes and appoints Lender (and all Persons designated by Lender in its sole and absolute discretion) as Grantor's true and lawful attorney-in-fact, and authorizes Lender and any of Lender's designees, in Grantor's or Lender's name, to take any action and execute any instrument to the extent necessary to accomplish the purposes of this Agreement, including, without limitation, from and after the occurrence of an Event of Default or a default under any of the Financing Documents and the giving by Lender of notice to Grantor of Lender's intention to enforce its rights and claims against Grantor, to (i) endorse Grantor's name on all applications, documents, papers and instruments necessary or desirable for Lender in the use of the Trademark Collateral or Patent Collateral, (ii) assign, pledge, convey or otherwise transfer title in or dispose of the Trademark Collateral or Patent Collateral to anyone, (iii) grant or issue any exclusive or nonexclusive license under the Trademark Collateral or Patent Collateral to anyone, and (v) take any other actions with respect to the Trademark Collateral or Patent Collateral as Lender deems in its best interest, including without limitation those provided in parts (B) and (C) of this paragraph 16. Grantor 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 until all of the Secured Liabilities shall have been paid in full in cash and the Financing Documents shall have been terminated. Grantor acknowledges and agrees that this Agreement is not intended to limit or restrict in any way the rights and remedies of Lender under the Facility Letters or any of the Financing Documents, but rather is intended to facilitate the exercise of such rights and remedies.
- (B) Grantor hereby grants to Lender a nonexclusive, royalty-free, worldwide right and license in, under and to each and every item of the Trademark Collateral and Patent Collateral, irrevocable until all Secured Liabilities

have been paid in full in cash and the Financing Documents have been terminated, to make, use, sell, offer for sale, import, export and otherwise fully exploit such Trademark Collateral and Patent Collateral, which right and license may be freely transferred, assigned or sublicensed by Lender subject to the terms and conditions of this Agreement and the Financing Documents. Lender covenants and agrees that it shall exercise its rights under the license granted under this paragraph, if it elects to exercise its rights, only if an Event of Default or a default under any of the Financing Documents shall have occurred and be continuing and only to the extent that required third-party consents, if any, have been obtained or obviated by applicable law. Upon notice from the Lender of its intention to exercise its rights under such license, Grantor shall transfer and deliver to Lender all materials necessary or convenient for Lender to exercise its rights under such license. Lender may solicit and employ or contract with any director, officer, employee, agent, or contractor of Grantor in order to exercise its rights under such license. Grantor has obtained or will use its best efforts to obtain any third-party consents necessary for Lender to exercise its rights under such license. At Lender's option, if an Event of Default or a default under any of the Financing Documents shall occur and be continuing, Lender shall be entitled to take and use, practice, license, or sell any and all items of the Trademark Collateral and Patent Collateral; and may direct Grantor to refrain, and Grantor if so instructed shall refrain, from using or practicing any and all items of the Trademark Collateral and Patent Collateral directly or indirectly, or otherwise exercising or exploiting any right, power, privilege, or immunity under any and all items of the Trademark Collateral and Patent Collateral.

- (C) Lender shall have, in addition to all other rights and remedies given it by the terms of this Agreement, all rights and remedies allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Trademark Collateral or the Patent Collateral may be located or deemed located or other applicable law. Upon the occurrence of an Event of Default or a default under any of the Financing Documents and the election by Lender to exercise any of its remedies under Part 6 of the Uniform Commercial Code, if applicable, or other similar remedies under other applicable law, with respect to the Trademark Collateral or Patent Collateral, Grantor agrees to assign, convey and otherwise transfer title in and to the Trademark Collateral and the Patent Collateral to Lender or any transferee of Lender and to execute and deliver to Lender or any such transferee all such agreements, documents and instruments as may be necessary, in Lender's sole discretion, to effect such assignment, conveyance and transfer. All of Lender's rights and remedies with respect to the Trademark Collateral and the Patent Collateral, whether established hereby, by the Facility Letters,

by the other Financing Documents, by any other agreements or by law, shall be cumulative and may be exercised separately or concurrently. Notwithstanding anything set forth herein to the contrary, it is hereby expressly agreed that upon the occurrence of an Event of Default or a default under any of the Financing Documents, Lender may exercise any of the rights and remedies provided in this Agreement, in the Facility Letters, in any of the other Financing Documents, and at law or in equity.

- (D) Without limiting the obligations of the Grantor to pay the Secured Liabilities, if the Proceeds of sale, collection or other realization of or upon the Collateral pursuant to this paragraph 16 hereof are insufficient to cover the costs and expenses of such realization and the payment in full of the Secured Liabilities, the Grantor shall remain liable for any deficiency.
- (E) Except as otherwise required by law, the Proceeds of any collection, sale or other realization of all or any part of the Collateral pursuant hereto, and any other cash at the time held by the Lender under this paragraph 16, shall be applied by the Lender in its sole discretion.

17. Indemnity and Expenses. a)The Grantor hereby indemnifies the Lender from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities resulting from the Lender's gross negligence, willful misconduct or unlawful acts. **IT IS THE EXPRESS INTENTION OF THE GRANTOR THAT THE LENDER SHALL BE INDEMNIFIED AND HELD HARMLESS AGAINST ANY AND ALL LOSSES, LIABILITIES, CLAIMS, DEFICIENCIES, JUDGMENTS OR EXPENSES ARISING OUT OF OR RESULTING FROM THE ORDINARY NEGLIGENCE (WHETHER SOLE OR CONTRIBUTORY) OF THE LENDER.**

b) Without duplication of the obligations of Grantor set forth in each Facility Letter and the other Financing Documents, the Grantor agrees to reimburse the Lender for all costs and expenses of the Lender, (including the reasonable fees and expenses of legal counsel) in connection with (i) the administration of this Agreement, (ii) the evaluation, appraisal, custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) any Event of Default and any enforcement or collection proceeding resulting therefrom, including all manner of participation in or other involvement with (1) performance by the Lender of any obligations of the Grantor in respect of the Collateral that the Grantor has failed or refused to perform, (2) bankruptcy, insolvency, receivership, foreclosure, winding up or liquidation proceedings, or any actual or attempted sale, or any exchange, enforcement, collection, compromise or settlement in respect of any of the Collateral, and for the care of the Collateral and defending or asserting rights and claims of the Lender in

respect thereof, by litigation or otherwise, (3) judicial or regulatory proceedings and (4) workout, restructuring or other negotiations or proceedings (whether or not the workout, restructuring or transaction contemplated thereby is consummated) and (iv) the enforcement of this paragraph 17, and all such costs and expenses shall be Secured Liabilities entitled to the benefits of the Collateral security provided pursuant to this Agreement. The Grantor agrees to pay interest on any sums payable to the Lender hereunder that are not paid when due at the lesser of (1) the Default Rate, and (2) a rate per annum equal to the highest rate allowed by law.

18. Successors and Assigns. This Agreement shall be binding upon Grantor and its successors and assigns, and shall inure to the benefit of Lender and its nominees, successors and assigns. Grantor's successors and assigns shall include, without limitation, a receiver, trustee or debtor-in- possession of or for Grantor; provided, however, that Grantor shall not voluntarily assign or transfer its rights or obligations hereunder without Lender's prior written consent. Any assignment or transfer in violation of this paragraph 18 shall be void and of no force or effect.
19. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Minnesota, United States of America, without regard to its conflict of laws provisions.
20. Notices.
 - (a) Any communication to be made under or in connection with this Agreement shall be made in writing and, unless otherwise stated, may be made by fax or letter. Lender may deliver any such communication by it to Grantor or to Grantor's parent, Medisys, in Lender's sole discretion, and such delivery will be deemed to have been made directly to Grantor.
 - (b) The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of Lender for any communication or document to be made or delivered under or in connection with this Agreement is that identified with its name at the beginning of the Term Loan Facility Letter or any substitute address, fax number or department or officer as Lender may notify Medisys or Grantor by not less than five Business Days' notice.
 - (c) The address of Grantor for any communication or document to be made or delivered under or in connection with this Agreement is either (a) 7301 Ohms Lane, Edina, Minnesota 55439, or (b) if to Medisys as permitted by this Agreement, 36 Linhope Street, London NW1 6UA or any of the United Kingdom address Medisys designates by notice to Lender. The fax number of Medisys and Grantor for any communication or document to be made or delivered under or in

connection with this Agreement is the fax number most recently provided to Lender by Medisys or Grantor.

(d) Any communication made or document made or delivered by one person to another under or in connection with this Agreement will only be effective:-

(i) if by way of fax, when received in legible form; or

(ii) if by way of letter, when it has been delivered to the relevant address or three Business Days (as defined in the Term Loan Facility Letter) after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of the address details referred to in paragraph 20(b) above, if addressed to that department or officer.

(e) Any communication or document to be made or delivered to Lender will be effective only when actually received by Lender and then only if it is expressly marked for the attention of the department or officer identified with its name above (or any substitute department or officer as Lender shall specify for this purpose). Any communication or document made or delivered to Grantor or Medisys in accordance with this paragraph 20 will be deemed to have been made or delivered to Grantor.

(f) Lender may rely upon any communication by telephone or fax purporting to be on behalf of Grantor by anyone notified to Lender as being authorized to do so, without enquiry by Lender as to authority or identity. Grantor agrees to indemnify Lender against any liability incurred or sustained by Lender as a result.

21. Survival of Representations and Warranties. All representations and warranties contained in this Agreement or made in writing by or on behalf of the Grantor in connection herewith shall survive the execution and delivery of this Agreement and repayment of the Secured Liabilities. Any investigation by the Lender shall not diminish in any respect whatsoever its rights to rely on such representations and warranties.
22. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.
23. Confidentiality. Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) if and to the extent such Persons have a need to know such information, to its Affiliates,

directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority; provided that Lender shall first attempt to notify Grantor of such requirement, and to the extent reasonable, allow Grantor or the Borrowers to contest such requirement, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process; provided that Lender shall first attempt to notify Grantor of such requirement, and to the extent reasonable, allow Grantor or the Borrowers to contest such requirement, (d) to any other party to the Financing Documents, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this paragraph, to any assignee of, or any prospective assignee of, any of its rights or obligations under this Agreement, (g) with the consent of any Borrower or Grantor or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this paragraph or as a result of the unauthorized disclosure by Lender's Affiliates, directors, officers, employees and agents, including its accountants, legal counsel and other advisors, or (ii) becomes available to the Lender on a nonconfidential basis from a source other than the Grantor. For the purposes of this paragraph, "Information" means all information received from the Grantor relating to the Patent Collateral and Trademark Collateral other than any such information that is available to the Lender on a nonconfidential basis prior to disclosure by the Grantor, *provided* that, in the case of information received from the Grantor after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this paragraph shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

24. Revolving Loan Covenants.

(a) Grantor covenants and agrees, for all purposes, that to the extent any of the credits extended under the New Facility Letters, including the Term Loan and the working capital and payment systems facilities under the Working Capital Facility Letter, are used to refinance the Revolving Credit Facility or any working capital and payment system facilities under the Revolving Loan Facility Letter, Lender shall be, for all purposes, subrogated to the position of Lender under the Revolving Credit Facility, Revolving Loan Facility Letter and Revolving Loan Security Documents. Without limiting the generality of the foregoing, Grantor covenants and agrees that Lender shall be subrogated to the lien, security interest, priority and perfection rights and other Security Rights (as defined in the

Revolving Loan Facility Letter) of Lender under the Security Documents (as defined in the Revolving Loan Facility Letter), including without limitation, under the Revolving Loan Security Documents.

(b) Grantor covenants and agrees that the Revolving Loan Security Documents, together with all other documents in connection therewith, shall remain in full force and effect and is hereby ratified and confirmed for all purposes by Grantor.

25. Submission to Jurisdiction.

(a) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT AND THE OTHER FINANCING DOCUMENTS GOVERNED BY MINNESOTA LAW AND EXECUTED BY THE GRANTOR MAY BE BROUGHT IN THE COURTS OF THE STATE OF MINNESOTA OR THE UNITED STATES LOCATED IN MINNESOTA AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE GRANTOR HEREBY IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS WITH RESPECT TO ANY SUCH ACTION OR PROCEEDING. THE GRANTOR FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO IT PURSUANT TO PARAGRAPH 19 HEREOF, SUCH SERVICE TO BECOME EFFECTIVE THIRTY (30) DAYS AFTER SUCH MAILING. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE LENDER TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE GRANTOR IN ANY OTHER JURISDICTION.

(b) THE GRANTOR HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT BROUGHT IN THE COURTS REFERRED TO IN CLAUSE (a) OF THIS PARAGRAPH 24 AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

26. Additional Covenants of Grantor. Grantor covenants and agrees that (a) Grantor

will, at its own expense, take and complete the actions, recordings and other items set forth on Schedule C to this Agreement, all to the satisfaction of the Lender, on or prior to the date that is 60 days from the date of this Agreement, (b) Grantor will cause, at the request of the Lender, any Person that is a Group Company or other member of the Group to execute an agreement similar to this Agreement and to grant a first priority, perfected security interest in any U.S. Collateral that may from time to time be owned by such Person, and (c) Grantor will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Lender from time to time such lists, descriptions and designations of Collateral, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments, and take such further steps relating to the Collateral and other property or rights covered by the interests hereby granted which the Lender requests to perfect, preserve or protect its ownership and security interests in the Collateral.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

HYPOGUARD USA, INC., a Delaware corporation

By:



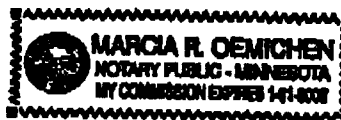
David Conn, President

STATE OF MINNESOTA)
) SS
COUNTY OF HENNEPIN)

The foregoing Patent, Trademark and License Security Agreement was acknowledged before me this 16th day of January, 2004, by DAVID A. COON, the PRESIDENT of Hypoguard USA, Inc., a Delaware corporation, on behalf of such corporation.

Marcia R. Oemichen
Notary Public

My commission expires: 1-31-2006



Schedule A
to Patent, Trademark and License Security Agreement Dated as of January 16, 2004

TRADEMARK COLLATERAL OF HYPOGUARD USA, INC

U.S. TRADEMARKS

GENTLE-LET

Registered August 12, 1997, Reg. No. 2,088,059

PATENT COLLATERAL OF HYPOGUARD USA, INC

U.S. UTILITY PATENTS

Retractable Hypodermic Syringe, Application filed September 5, 2001 under U.S. Serial No. 09/948,061

Safety shield for a needle assembly, Application filed August 17, 2001 under U.S. Serial No. 09/932,830

Syringe with Retractable Needle Assembly, Application filed September 19, 2002 under U.S. Serial No. 10/247,781

Safety-Sheath Phlebotomy Needle Holder, U.S. Patent No. 6,551,288

Retractable Hypodermic Syringe, Application filed July 2, 2002 under U.S. Serial No. 10/190,441

Method and Apparatus for Inhibiting Fluid Loss from a Syringe, Application filed January 7, 2002 under U.S. Serial No. 10/450,573

Needle Protected Syringe, U.S. Patent No. 5,338,304

Syringe with Retractable Needle Assembly, U.S. Patent No. 5,693,023

Syringe with Retractable Needle Assembly, U.S. Patent No. 6,050,977

Syringe with Retractable Needle Assembly, Application filed December 13, 2000 under U.S. Serial No. 10/345,901

Connector, U.S. Patent No. 5,509,912

Connector, U.S. Patent No. 5,514,116

Connector Assembly, U.S. Patent No. 5,487,728

Lancet Device with Retractable Sharps Member, U.S. Patent No. 6,540,763

Disposable Hypodermic Syringe And Needle Combination Having Retractable, Accident Preventing Sheath, U.S. Patent No. 4,702,738

Disposable Hypodermic Syringe And Needle Combination Having Retractable, Accident Preventing Sheath, U.S. Patent No. 4,801,295

Blood Collector Cylinder With Needle Ejector, U.S. Patent No. 4,907,600

Blood Collector cylinder With Needle Ejector, U.S. Patent No. 4,993,426

U.S. DESIGN PATENTS

Protective Housing for a Needle Syringe, U.S. Patent No. D347,688

Elliptical Syringe Body, U.S. Patent No. D403,761

FOREIGN PATENTS

Retractable Hypodermic Syringe, Application filed September 5, 2002 under Application No. PCT/US2/28452

Safety Shield for Hypodermic Syringe, Application filed August 13, 2002 under Application No. PCT/US02/25715

Syringe with Retractable Needle Assembly, Application filed September 16, 2003 under Application No. PCT/US03/29273

Safety-Sheath Phlebotomy Needle Holder with Elastomer Activation, Application filed February 28, 2002 under Application No. PCT/US02/06300

Syringe with Retractable Needle Assembly, Application filed December 13, 1999 under Canadian Application No. 2394328

Method and Apparatus for Inhibiting Fluid Loss from a Syringe, Application filed January 7, 2002 under Application No. PCT/US02/00469

Syringe with Retractable Needle Assembly, Application filed November 14, 1997 under Australian Application No. 52548/98

Syringe with Retractable Needle Assembly, Application filed June 15, 1999 under Canadian Application No. 2,275,255

Syringe with Retractable Needle Assembly, Application filed November 14, 1997 under Chinese Application No. 97/81397.3

Syringe with Retractable Needle Assembly, EPO Patent No. EP1011766

Syringe with Retractable Needle Assembly, French Patent No. EP1011766

Syringe with Retractable Needle Assembly, German Patent No. 68724291.9

Syringe with Retractable Needle Assembly, Great Britain Patent No. EP1011766

Syringe with Retractable Needle Assembly, Hong Kong Patent No. 97947479.8

Syringe with Retractable Needle Assembly, Application filed November 14, 1997 under Mexican Application No. 995527

Syringe with Retractable Needle Assembly, New Zealand Patent No. 336299

Syringe with Retractable Needle Assembly, Singapore Patent No. 66057

Syringe with Retractable Needle Assembly, Swedish Patent No. EP1011766

Syringe with Retractable Needle Assembly, Application filed December 13, 2000 under EPO Application No. 00989257.1

Syringe with Retractable Needle Assembly, Application filed December 13, 2000 under Canadian Application No. 2394351

Syringe with Retractable Needle Assembly, Application filed December 13, 2000 under Japanese Application No. 2001-543174

Lancet Device with Retractable Sharps Member, Application filed February 19, 2002 under Chinese Application No. 02808526.4

Lancet Device with Retractable Sharps Member, Application filed February 19, 2002 under EPO Application No. 02712595.4

Schedule C
to Patent, Trademark and License Security Agreement Dated as of January 16, 2004

Additional Covenants

Grantor covenants and agrees that Grantor will, at its own expense, take and complete the actions, recordings and other items set forth below, all to the satisfaction of the Lender, on or prior to the date that is 60 days from the date of the Agreement:

1. Provide to the Lender evidence, to the Lender's satisfaction, (a) that Grantor is the sole owner, free of all liens, claims or encumbrances, of the following Patents Nos.: 5,338,304 Needle protected syringe, 5,693,023 Syringe with retractable needle assembly, D347,688 Protective housing for a needled syringe, D403,761 Elliptical syringe body, 5,487,728 Connector assembly, 5,509,912 Connector, 5,514,116 Connector, 6,050,977 Syringe with retractable needle assembly, 6,551,288 Safety-sheathed phlebotomy needle holder, 09/932,830 Safety Shield for Hypodermic Syringe, 09/948,061 Retractable Hypodermic Syringe, 4,702,738 Disposable hypodermic syringe and needle combination having retractable, accident preventing sheath, 4,801,295 Disposable hypodermic syringe and needle combination having retractable, accident preventing sheath, 4,907,600 Blood collector cylinder with needle ejector, and 4,993,426 Blood collector cylinder with needle ejector, and (b) that all recordings and other actions have been taken to cause Grantor to be the record owner of such patents with the United States Patent and Trademark Office.

2. Provide to the Lender evidence, to the Lender's satisfaction, (a) that Grantor is the sole owner, free of all liens, claims or encumbrances, of the following Patent Application Nos.: 10/345,901 Syringe with Retractable Needle Assembly, 10/190,441 Retractable Hypodermic Syringe, 10/247,781 Syringe with Retractable Needle Assembly, and 10/450,573 Method and Apparatus for Inhibiting Fluid Loss from a Syringe, and (b) that all recordings and other actions have been taken to cause Grantor to be the record owner of such patent application with the United States Patent and Trademark Office.

U.S. TRADEMARKS

GENTLE-LET

Registered August 12, 1997, Reg. No. 2,088,059