

06-16-2004

Form PTO-1594
(Rev. 10/02)
OMB No. 0651-0027 (exp. 6/30/2005)
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ET U.S. DEPARTMENT OF COMMERCE
U.S. Patent and Trademark Office

102767423

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

1. Name of conveying party(ies):

Complex Technologies, Inc.,
f/k/a Rehabicare Inc.

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

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

3. Nature of conveyance:

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

Execution Date: 03/31/01

2. Name and address of receiving party(ies)

Name: U.S. Bank National Association

Internal

Address: _____

Street Address: 800 Nicollet Mall

City: Minneapolis State: MN Zip: 55402

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

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

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

A. Trademark Application No.(s) 78/366,211;
78/410,978; 78/368,484

B. Trademark Registration No.(s) 1,228,355;
2,336,157; 2,666,521

Additional number(s) attached Yes No

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

Name: Glenda Lipp

Internal Address: Fabyanske, Westra & Hart, P.A.

Street Address: 800 LaSalle Avenue, Suite 1900

City: Minneapolis State: MN Zip: 55402

6. Total number of applications and registrations involved: _____

6

7. Total fee (37 CFR 3.41).....\$ 165.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number: _____

DO NOT USE THIS SPACE

9. Signature.

Glenda M. Lipp

Name of Person Signing

Signature

6/7/04

Date

Total number of pages including cover sheet, attachments, and document: 22

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

06/15/2004 NBETACHE 00000168 78366211

01 FC: 4521
02 FC: 4522

40.00 OP
125.00 OP

TRADEMARK
REEL: 002991 FRAME: 0581

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6-14-04

NOTICE OF SECURITY INTEREST IN U.S. TRADEMARKS

United States Trademark Office:

Please be advised that pursuant to an Amended and Restated Security Agreement dated as of March 31, 2001 (the "Security Agreement") by COMPEX TECHNOLOGIES, INC., a Minnesota corporation f/k/a Rehabicare Inc. ("Grantor") for the benefit of U.S. BANK NATIONAL ASSOCIATION ("Secured Party"), Grantor has granted to Secured Party a continuing security interest in, and a continuing lien upon, all of the trademarks and trademark applications described below:

TRADEMARKS

See Part I of Exhibit A attached hereto and incorporated herein by reference.

TRADEMARK APPLICATIONS

See Part II of Exhibit A attached hereto and incorporated herein by reference.

Secured Party's security interest in the described trademark and trademark applications can be terminated only in accordance with the terms of the Security Agreement.

Very truly yours,

Dated: June 2, 2004

COMPEX TECHNOLOGIES, INC.

By: Scott P. Youngstrom
Its: VP Finance - CEO

Subscribed and sworn to before me
this 1st day of JUNE, 2004.

Susan K. Mueller

Notary Public

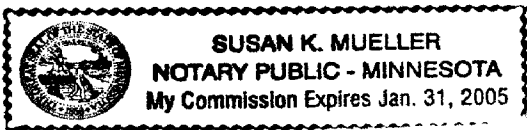


EXHIBIT A

TRADEMARKS AND TRADEMARKS APPLICATIONS

PART I. TRADEMARKS

TRADEMARK REGISTRATION NO.	DESCRIPTION OF TRADEMARK	DATE OF REGISTRATION
1,228,355	STAODERM	February 22, 1983
2,336,157	STIMCARE	March 28, 2000
2,666,521	PROMAX	December 24, 2002

PART II. TRADEMARK APPLICATIONS

TRADEMARK APPLICATION SERIAL NO.	DESCRIPTION OF TRADEMARK	DATE OF FILING
78/366,211	REHABILICARE	February 11, 2004
78/410,978	GELPADS	April 13, 2004
78/368,484	COMPEX	February 16, 2004

AMENDED AND RESTATED SECURITY AGREEMENT
(Grantor)

This AMENDED AND RESTATED SECURITY AGREEMENT is made as of March 31, 2001 (the "Agreement"), by REHABILICARE INC., a Minnesota corporation, with its chief executive office at 1811 Old Highway 8, New Brighton, MN 55112 ("Grantor"), in favor of U. S. Bank National Association, with an office at U.S. Bank Place, Minneapolis, MN 55402 ("Lender").

RECITALS:

A. Grantor has requested extensions of credit from Lender pursuant to the terms of that certain Credit Agreement dated as of July 14, 1999 (the Credit Agreement as it may be amended, modified, supplemented, increased or restated from time to time being the "Credit Agreement") between Grantor and Lender;

B. As a condition to such extensions of credit, Lender required that Grantor execute and deliver to Lender that certain Security Agreement dated as of even date with the Credit Agreement (the "Original Security Agreement");

C. As a condition to the effectiveness of that certain Amendment No. 1 to Credit Agreement and Waiver dated as of March 31, 2001, Lender has required that the Original Security Agreement be amended and restated in its entirety by this Agreement; and

D. Grantor has determined that the execution, delivery and performance of this Agreement is in its best business and pecuniary interest.

NOW, THEREFORE, for good and valuable consideration the receipt and adequacy of which are hereby acknowledged by each of the parties hereto, Grantor and Lender agree to amend and restate the Original Security Agreement in its entirety to read as follows:

ARTICLE I
DEFINITIONS

As used herein, the following terms shall have the meanings set forth in this Section:

"Accounts" shall mean any right to payment for Goods sold or leased or for services rendered which is not evidenced by an Instrument or Chattel Paper, whether or not it has been earned by performance except that on and after the effective date of Revised Article 9, Accounts shall have the meaning provided in Revised Article 9 and shall include, without limitation, all Health Care Receivables.

"Chattel Paper" shall mean any writing or writings which evidence both a monetary obligation and a security interest in or a lease of specific Goods except that on and after the effective date of Revised Article 9, Chattel Paper shall have the meaning provided in Revised

Article 9 and shall include, without limitation, all Electronic Chattel Paper and Tangible Chattel Paper.

"Collateral" shall mean all property in which a security interest is granted hereunder.

"Controlled Property" shall mean property of every kind and description in which Grantor has or may acquire any interest, now or hereafter at any time in the possession or control of Lender for any reason and all dividends and distributions on or other rights in connection with such property.

"Credit Agreement" shall have the meaning set forth in the recitals hereto.

"Data Processing Records and Systems" shall mean all of Grantor's now existing or hereafter acquired electronic data processing and computer records, software (including, without limitation, all "Software" as defined in Revised Article 9), systems, manuals, procedures, disks, tapes and all other storage media and memory.

"Default" shall mean any event which if it continued uncured would, with notice or lapse of time or both, constitute an Event of Default.

"Deposit Accounts" shall have the meaning provided in Revised Article 9 and shall include, without limitation, any demand, time, savings, passbook or similar account maintained with a bank.

"Document" shall mean any bill of lading, dock warrant, dock receipt, warehouse receipt or order for the delivery of goods or any other document which in the regular course of business or financing is treated as adequately evidencing that the person in possession of it is entitled to receive, hold and dispose of the document and the Goods it covers or any receipt issued for Goods which are stored under a statute requiring a bond against withdrawal or under a license for the issuance of receipts in the nature of warehouse receipts except that on and after the effective date of Revised Article 9, Document shall have the meaning provided in Revised Article 9.

"Electronic Chattel Paper" shall have the meaning provided in Revised Article 9.

"Equipment" shall mean any Goods, other than Inventory, used or bought for use primarily in business except that on and after the effective date of Revised Article 9, Equipment shall have the meaning provided in Revised Article 9.

"Event of Default" shall have the meaning specified in Article VI hereof.

"Fixtures" shall mean any Goods which have become so affixed to particular real estate that an interest in them arises under real estate law except that on and after the effective date of Revised Article 9, Fixtures shall have the meaning provided in Revised Article 9.

"General Intangibles" shall mean any personal property (including things in action) other than Goods, Accounts, Chattel Paper, Documents, Instruments and money except that on and

after the effective date of Revised Article 9, General Intangibles shall have the meaning provided in Revised Article 9 and shall include, without limitation, all Payment Intangibles.

"Goods" shall mean any tangible personal property, including all things that are movable, but not including money, Documents, Instruments, Accounts, Chattel Paper, General Intangibles or minerals or the like before extraction except that on and after the effective date of Revised Article 9, Goods shall have the meaning provided in Revised Article 9.

"Grantor" shall have the meaning set forth in the preamble hereto.

"Health Care Receivables" shall have the meaning provided in Revised Article 9.

"Instruments" shall mean any negotiable instrument or certificated or non-certificated security or any other writing which evidences a right to the payment of money and is not itself a security agreement or lease and is of a type which is in the ordinary course of business transferred by delivery with any necessary endorsement or assignment except that on and after the effective date of Revised Article 9, Instruments shall have the meaning provided in Revised Article 9.

"Insurance Proceeds" shall mean all proceeds of any and all insurance policies payable to Grantor with respect to any Collateral, or on behalf of any Collateral, whether or not such policies are issued to or owned by Grantor.

"Inventory" shall mean any Goods held for sale or lease or furnished or to be furnished under contracts of service, or raw materials, work in process or materials used or consumed in a business except that on and after the effective date of Revised Article 9, Inventory shall have the meaning provided in Revised Article 9.

"Investment Property" shall have the meaning provided in the UCC.

"Lender" shall have the meaning set forth in the preamble hereto.

"Letter of Credit Rights" shall have the meaning provided in Revised Article 9.

"Payment Intangibles" shall have the meaning provided in Revised Article 9.

"Proceeds" shall mean whatever is received upon the sale, exchange, collection or other disposition of Collateral or Proceeds, including but not limited to Insurance Proceeds except that on and after the effective date of Revised Article 9, Proceeds shall have the meaning provided in Revised Article 9.

"Products" shall mean any goods now or hereafter manufactured, processed or assembled with any of the Collateral.

"Supporting Obligations" shall have the meaning provided in Revised Article 9.

"Tangible Chattel Paper" shall have the meaning provided in Revised Article 9.

"UCC" shall mean the Uniform Commercial Code as enacted in the State of Minnesota, as amended from time to time, including, without limitation, on and after the effective date of Minn. Laws 2000, Chapter 399, substantially adopting Revised Article 9 of the Uniform Commercial Code as approved by the National Conference of Commissioners on Uniform State Laws in July, 1998 (as so adopted being sometimes hereinafter referred to as "Revised Article 9") by Revised Article 9.

Other terms defined herein shall have the meanings ascribed to them herein. All capitalized terms used herein and not specifically defined herein shall have the meaning ascribed to them in the Credit Agreement.

ARTICLE II SECURITY INTERESTS

As security for the payment of all Obligations, Grantor hereby grants to Lender a security interest in all of Grantor's now owned or hereafter acquired or arising:

Accounts;
Chattel Paper;
Controlled Property;
Deposit Accounts;
Documents;
Equipment and Fixtures;
General Intangibles;
Instruments;
Inventory;
Investment Property;
Letter of Credit Rights;
Proceeds (whether cash or non-cash Proceeds, including Insurance Proceeds and non-cash Proceeds of all types);
Products of all the foregoing; and
Supporting Obligations.

ARTICLE III REPRESENTATIONS AND COVENANTS OF GRANTOR

Grantor represents, warrants and covenants that:

3.1 Authorization. The execution and performance of this Agreement have been duly authorized by all necessary action and do not and will not: (a) require any consent or approval of the stockholders of any entity, or the consent of any governmental entity that has not been obtained; or (b) violate any provision of any indenture, contract, agreement or instrument to which it is a party or by which it is bound.

3.2 Title to Collateral. Grantor has good and marketable title to all of the Collateral and none of the Collateral is subject to any security interest except for the security interest created pursuant to this Agreement or other security interests permitted by the Credit Agreement (such other security interests being "Permitted Liens").

3.3 Disposition or Encumbrance of Collateral. Grantor will not encumber, sell or otherwise transfer or dispose of the Collateral without the prior written consent of Lender except as provided in this paragraph or for Permitted Liens. Until a Default or Event of Default has occurred and is continuing, Grantor may sell Collateral consisting of:

(a) Inventory in the ordinary course of business to the extent permitted by Section 9.2 of the Credit Agreement;

(b) Equipment or other property to the extent permitted by Section 9.2 of the Credit Agreement; and

(c) License any Patents, Trademarks, Copyrights or applications therefor, trade secrets, know-how and other intellectual property in the ordinary course of business, provided the Borrower receives as consideration an amount not less than the fair value of such license and provided further that if such license is an exclusive license, then Borrower retains such rights as may be necessary to allow Borrower to perform its obligations to the licensee or others under applicable manufacturing contracts and that such license does not restrict the assignment of such rights to the Lender.

3.4 Validity of Accounts. Grantor warrants that all Collateral consisting of Accounts, Chattel Paper and Instruments included in Grantor's schedules, financial statements or books and records are bona fide existing obligations created by the sale and actual delivery of Inventory or the rendition of services to customers in the ordinary course of business, which Grantor then owns free and clear of any security interest other than the security interest created by this Agreement or other Permitted Liens and which are then unconditionally owing to Grantor without defenses, offset or counterclaim except those arising in the ordinary course of business that are immaterial in the aggregate and that the unpaid principal amount of any such Chattel Paper or Instrument and any security therefor is and will be as represented to Lender on the date of the delivery thereof to Lender.

3.5 Maintenance of Tangible Collateral. Grantor will maintain the tangible Collateral in good condition and repair. At the time of attachment and perfection of the security interest granted pursuant hereto and thereafter, all tangible Collateral will be located and will be maintained only at the locations set forth on Exhibit A hereto. Except as otherwise permitted by Section 3.3, Grantor will not remove such Collateral from such locations unless, prior to any such removal, Grantor has given written notice to Lender of the location or locations to which Grantor desires to remove the Collateral, Lender has given its written consent to such removal, and Grantor has delivered to Lender acknowledgment copies of financing statements filed where appropriate to continue the perfection of Lender's security interest as a first priority security interest therein. Lender's security interest attaches to all of the Collateral wherever located and

Grantor's failure to inform Lender of the location of any item or items of Collateral shall not impair Lender's security interest therein.

3.6 Notation on Chattel Paper. For purposes of the security interest granted pursuant to this Agreement, Lender has been granted a direct security interest in all Chattel Paper constituting part of the Collateral and such Chattel Paper is not claimed merely as Proceeds of Inventory. Upon Lender's request, Grantor will deliver to Lender the original of all Chattel Paper. Grantor will not execute any copies of such Chattel Paper constituting part of the Collateral other than those which are clearly marked as a copy. Lender may stamp any such Chattel Paper with a legend reflecting Lender's security interest therein.

3.7 Instruments as Proceeds; Deposit Accounts. Notwithstanding any other provision in this Agreement concerning Instruments, Grantor covenants that Instruments constituting cash Proceeds (for example, money and checks) shall be deposited in deposit accounts (or, on and after the effective date of Revised Article 9, Deposit Accounts) with Lender containing only Proceeds. On and after the effective date of Revised Article 9, Grantor, for purposes of the security interest granted pursuant to this Agreement, has granted to the Lender a direct security interest in all Deposit Accounts constituting part of the Collateral and such Deposit Accounts are not claimed merely as Proceeds of other Collateral.

3.8 Protection of Collateral. All expenses of protecting, storing, warehousing, insuring, handling and shipping of the Collateral, all costs of keeping the Collateral free of any liens, encumbrances and security interests prohibited by this Agreement and of removing the same if they should arise, and any and all excise, property, sales and use taxes imposed by any state, federal or local authority on any of the Collateral or in respect of the sale thereof, shall be borne and paid by Grantor and if Grantor fails to promptly pay any thereof when due, Lender may, at its option, but shall not be required to pay the same whereupon the same shall constitute Obligations and shall bear interest at the Default Rate and shall be secured by the security interest granted hereunder.

3.9 Insurance. Grantor will procure and maintain, or cause to be procured and maintained, insurance issued by responsible insurance companies insuring the Collateral against damage and loss by theft, fire, collision (in the case of motor vehicles), and such other risks as are usually carried by owners of similar properties or as may be requested by Lender in an amount equal to the replacement value thereof, and, in any event, in an amount sufficient to avoid the application of any co-insurance provisions and payable, in the case of any loss in excess of \$50,000.00, to Grantor and Lender jointly. All such insurance shall contain an agreement by the insurer to provide Lender with 30 days' prior notice of cancellation and an agreement that the interest of Lender shall not be impaired or invalidated by any act or neglect of Grantor nor by the occupation of the premises wherein such Collateral is located for purposes more hazardous than are permitted by said policy. Grantor will maintain, with financially sound and reputable insurers, insurance with respect to its properties and business against such casualties and contingencies of such types (which may include, without limitation, public and product liability, larceny, embezzlement, business interruption or other criminal misappropriation insurance) and in such amounts as may from time to time be reasonably

required by Lender. Grantor will deliver evidence of such insurance and the policies of insurance or copies thereof to Lender upon request.

3.10 Compliance with Law. Grantor will not use the Collateral, or knowingly permit the Collateral to be used, for any unlawful purpose or in violation of any federal, state or municipal law.

3.11 Books and Records; Access.

(a) Grantor will permit Lender and its representatives, at reasonable times and intervals, to examine Grantor's books and records (including Data Processing Records and Systems) with respect to the Collateral and make extracts therefrom and copies thereof at any time and from time to time, and Grantor will furnish such information and reports to Lender and its representatives regarding the Collateral as Lender and its representatives may from time to time request. Grantor will also permit Lender and its representatives to inspect the Collateral at reasonable times and intervals. Grantor's obligation to pay the Lender's cost and expenses for such examinations are set forth in Section 8.5 of the Credit Agreement.

(b) Lender shall have authority, at any time, to place, or require Grantor to place, upon Grantor's books and records relating to Accounts, Chattel Paper and other rights to payment covered by the security interest granted hereby a notation or legend stating that such Accounts, Chattel Paper and other rights to payment are subject to Lender's security interest.

3.12 Notice of Default. By no later than five (5) Business Days after any officer of Grantor obtains knowledge of the existence of any Default or Event of Default, Grantor will give notice to Lender that such Default or Event of Default exists, stating the nature thereof, the period of existence thereof, and what action Grantor proposes to take with respect thereto.

3.13 Additional Documentation. Grantor will execute, from time to time, such financing statements, assignments, and other documents covering the Collateral, including Proceeds, as Lender may reasonably request in order to create, evidence, perfect, maintain or continue its security interest in the Collateral (including additional Collateral acquired by Grantor after the date hereof), and Grantor will pay the cost of filing the same in all public offices in which Lender may deem filing to be appropriate and will notify Lender promptly upon acquiring any additional Collateral that may require an additional filing. Upon request, Grantor will deliver to Lender all Grantor's Documents, Chattel Paper and Instruments.

3.14 Chief Executive Office; State of Organization. The location of the chief executive office of Grantor is located in the State set forth in the preamble hereto and will not be changed from such state without 30 days' prior written notice to Lender. Grantor warrants that its books and records concerning Accounts and Chattel Paper constituting part of the Collateral are located at its chief executive office. Grantor's State of organization is the State set forth in the preamble hereto and such State has been its State of organization since the date of Grantor's organization. Grantor will not change its State of organization from such State without 30 days'

prior written notice to Lender, Lender has given its written consent to such change, and Grantor has delivered to Lender acknowledgment copies of financing statements filed where appropriate to continue the perfection of Lender's security interest as a first priority security interest therein.

3.15 Name of Grantor. Grantor's exact legal name and type of legal entity is as set forth in the preamble hereto. Grantor has not used any other name within the past five years except those described on Exhibit A attached hereto. Neither Grantor nor, to Grantor's knowledge, any predecessor in title to any of the Collateral has executed any financing statements or security agreements presently effective as to the Collateral except those described on Exhibit A attached hereto.

3.16 Disputes; etc. Grantor shall advise Lender promptly of Inventory (other than rental Inventory returned in the ordinary course of business) in excess of \$50,000.00 for any one customer in any fiscal year or in excess of \$100,000.00 in the aggregate for all customers in any fiscal year which are returned by a customer(s) or otherwise recovered from such customer(s) and unless instructed to deliver such Inventory to Lender, Grantor shall resell such Inventory for Lender and assign or deliver to Lender the resulting Accounts or other Proceeds. Grantor shall also advise Lender promptly of all disputes and claims in excess of \$50,000.00 for any one obligor on the Collateral in any fiscal year or in excess of \$100,000.00 in the aggregate for all obligors in any fiscal year and settle or adjust them at no expense to Lender. After the occurrence and during the continuance of an Event of Default, Lender may at all times settle or adjust such disputes and claims directly with the customers for amounts and upon terms which Lender considers commercially reasonable. No discount, credit or allowance shall be granted by Grantor to any customer without Lender's written consent other than discounts, credits, allowances, adjustments and returns made or granted by Grantor in the ordinary course of business.

3.17 Power of Attorney. Grantor appoints Lender, or any other person whom Lender may from time to time designate, as Grantor's attorney with power, to: (a) endorse Grantor's name on any checks, notes, acceptances, drafts or other forms of payment or security evidencing or relating to any Collateral that may come into Lender's possession; (b) sign Grantor's name on any invoice or bill of lading relating to any Collateral, on drafts against customers, on schedules and confirmatory assignments of Accounts, Chattel Paper, Documents or other Collateral, on notices of assignment, financing statements under the UCC and other public records, on verifications of accounts and on notices to customers; (c) notify the post office authorities to change the address for delivery of Grantor's mail to an address designated by Lender; (d) receive and open all mail addressed to Grantor; (e) send requests for verification of Accounts, Chattel Paper, Instruments or other Collateral to customers; and (f) do all things necessary to carry out this Agreement; provided, however, that so long as no Event of Default has occurred and is continuing, Lender shall not exercise the powers granted pursuant to Section 3.17(c) or (d). Grantor ratifies and approves all acts of the attorney within the scope of the authority granted. Neither Lender nor the attorney will be liable for any acts of commission or omission nor for any error in judgment or mistake of fact or law. This power, being coupled with an interest, is irrevocable so long as any Obligation remains unpaid. Grantor waives presentment and protest of all instruments and notice thereof, notice of default and dishonor and all other notices to which Grantor may otherwise be entitled.

3.18 Patents and Trademarks; Etc. Grantor agrees with Lender that, until the security interest granted by this Agreement has been terminated in accordance with the terms hereof:

(a) Grantor will perform all acts and execute all documents including, without limitation, grants of security interest, in form suitable for filing with the United States Patent and Trademark Office, reasonably requested by Lender at any time to evidence, perfect, maintain, record and enforce Lender's interest in the Collateral comprised of patents (collectively the "Patents"), patent applications (collectively the "Patent Applications"), trademarks or service marks (collectively the "Trademarks") or of any applications therefor (collectively the "Trademark Applications") or otherwise in furtherance of the provisions of this Agreement; provided, however, that Grantor shall be not be required to execute any assignment that, by its execution, might cause rights in any intent-to-use trademark application or any other rights in Patents or Trademarks to be impaired or invalid;

(b) Except to the extent that Lender shall consent in writing, Grantor (either itself or through licensees) will, unless Grantor shall reasonably determine that a Trademark (or the use of a Trademark in connection with a particular class of goods or products) is not of material economic value to Grantor, (i) continue to use each Trademark on each and every trademark class of goods in order to maintain each Trademark in full force free from any claim of abandonment for non-use, (ii) maintain as in the past the quality of products and services offered under each Trademark as may be necessary to prevent impairment of such Trademark, (iii) employ each Trademark with the appropriate notice of application or registration to the extent required by applicable law to maintain such Trademark, (iv) not use any Trademark except for the uses for which registration or application for registration of such Trademark has been made, unless such use is otherwise lawful, and (v) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any Trademark may become invalidated;

(c) Except to the extent that Lender shall consent in writing, Grantor will not, unless Grantor shall reasonably determine that a Patent is not of material economic value to Grantor relative to associated expenses, do any act, or not to do any act, whereby any Patent may become abandoned or dedicated;

(d) Unless Grantor shall reasonably determine that a Patent, Patent Application, Trademark or Trademark Application is not of material economic value to Grantor, Grantor shall notify Lender immediately if it knows, or has reason to know, of any reason that any Patent, Patent Application, Trademark or Trademark Application may become abandoned or dedicated, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office or any court) regarding Grantor's ownership of any Patent or Trademark, its rights to register the same, or to keep and maintain the same;

(e) If Grantor, either itself or through any agent, employee, licensee or designee, shall file a Patent Application or Trademark Application for the registration of any Trademark with the United States Patent and Trademark Office, or any similar office or agency in any other country or any political subdivision thereof, Grantor shall promptly inform Lender, and, upon request of Lender, shall promptly execute and deliver any and all agreements, instruments, documents and papers as Lender may reasonably request to evidence Lender's security interest in such Patent or Trademark and the goodwill and general intangibles of Grantor relating thereto or represented thereby; provided, however, that Grantor shall be not be required to execute any assignment that, by its execution, might cause rights in any intent-to-use trademark application or any other rights in Patents or Trademarks to be impaired or invalid;

(f) Unless Grantor shall reasonably determine that a Patent Application or Trademark Application is not of material economic value to Grantor, Grantor will take all commercially reasonable steps, including, without limitation, proceedings before the United States Patent and Trademark Office, or any similar office or agency in any other country or any political subdivision thereof, to pursue each Patent Application and Trademark Application and to maintain each issued Patent and Trademark Registration including, without limitation, filing of applications for renewal and affidavits of use;

(g) Unless Grantor shall reasonably determine that a Patent or Trademark is not of material economic value to Grantor, Grantor shall promptly notify Lender if any Patent or Trademark is infringed, misappropriated or diluted by a third party and take such commercially reasonable action as Grantor shall reasonably deem appropriate under the circumstances to protect such Patent or Trademark; and

(h) Grantor agrees that it will not enter into any agreement (for example, a license agreement) which is inconsistent with Grantor's obligations under this Agreement.

3.19 Copyrights. Grantor agrees with Lender that, until the security interest granted by this Agreement has been terminated in accordance with the terms hereof:

(a) Grantor will perform all acts and execute all documents including, without limitation, grants of security interest, in form suitable for filing with the United States Copyright Office, reasonably requested by Lender at any time to evidence, perfect, maintain, record and enforce Lender's interest in the Collateral comprised of copyrights or copyright applications (collectively the "Copyrights") or otherwise in furtherance of the provisions of this Agreement; provided, however, that Grantor shall not be required to file any documents that might cause trade secret rights in software or any other rights in material that is subject to copyright protection to be impaired or invalid;

(b) Except to the extent that the Lender shall consent in writing, Grantor (either itself or through licensees) will, unless Grantor shall reasonably determine that a Copyright is not of material economic value to Grantor, publish the materials for which a Copyright has been obtained (the "Works") with any notice of copyright registration required by applicable law to preserve the Copyright;

(c) Unless Grantor shall reasonably determine that a Copyright is not of material economic value to Grantor, Grantor shall notify the Lender immediately if it knows, or has reason to know, of any reason that any Copyright may become abandoned or dedicated or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Copyright Office or any court) regarding Grantor's ownership of any Copyright, its right to register the same, or to keep and maintain the same;

(d) If Grantor, either itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Copyright with the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, Grantor shall promptly inform Lender, and, upon request of Lender, execute and deliver any and all agreements, instruments, documents and papers as Lender may request to evidence Lender's security interest in such Copyright and the Works relating thereto or represented thereby; provided, however, that Grantor shall not be required to file any documents that might cause trade secret rights in software or any other rights in material that is subject to copyright protection to be impaired or invalid;

(e) Unless Grantor shall reasonably determine that a Copyright is not of material economic value to Grantor, Grantor will take all commercially reasonable steps, including, without limitation, proceedings before the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of the Copyrights;

(f) In the event that any Copyright is infringed by a third party, Grantor shall promptly notify Lender and shall, unless Grantor shall reasonably determine that such Copyright is not of material economic value to Grantor, promptly take such commercially reasonable actions as Grantor shall reasonably deem appropriate under the circumstances to protect such Copyright; and

(g) Grantor agrees that it will not enter into any agreement (for example, a license agreement) which is inconsistent with Grantor's obligations under this Agreement.

3.20 Control. Grantor will cooperate with Lender in obtaining control with respect to Collateral consisting of Deposit Accounts, Investment Property, Letter of Credit Rights, and Electronic Chattel Paper.

3.21 Further Acts. Where Collateral is in the possession of a third party, Grantor will join with Lender in notifying such third party of Lender's security interest and in obtaining an acknowledgment from such third party that it is holding such Collateral for the benefit of the Lender.

ARTICLE IV COLLECTIONS

Except as otherwise provided in this Article IV, Grantor shall continue to collect, at its own expense, all amounts due or to become due to Grantor under the Accounts constituting part of the Collateral and all other Collateral. In connection with such collections, Grantor may take (and, at Lender's direction, shall take) such action as Grantor or Lender may deem necessary or advisable to enforce collection of the Accounts and such other Collateral; provided, however, that, Lender shall have the right at any time after the occurrence and during the continuance of a Default or Event of Default, without giving written notice to Grantor of Lender's intention to do so, to notify the account debtors under any Accounts or obligors with respect to such other Collateral of the assignment of such Accounts and such other Collateral to Lender and to direct such account debtors or obligors to make payment of all amounts due or to become due to Grantor thereunder directly to Lender and, upon such notification and at the expense of Grantor, to enforce collection of any such Accounts or other Collateral, and to adjust, settle or compromise the amount or payment thereof in the same manner and to the same extent as Grantor might have done, but unless and until Lender does so or gives Grantor other instructions, Grantor shall make all collections for Lender. In addition to its rights under the preceding sentence to this Section, Lender, at any time after the occurrence and during the continuance of a Default or Event of Default, may require that Grantor instruct all current and future account debtors and obligors on other Collateral to make all payments directly to a lockbox (the "Lockbox") controlled by Lender. All payments received in the Lockbox shall be transferred to a special bank account (the "Collateral Account") maintained at Lender subject to withdrawal by Lender only. After the earliest to occur of a Default or Event of Default, Lender's exercise of its rights to direct account debtors or other obligors on any Collateral to make payments directly to Lender or to require Grantor to establish a Lockbox, Grantor shall immediately deliver all full and partial payments on any Collateral received by Grantor to Lender in their original form, except for endorsements where necessary. Lender, at its sole discretion, may hold any collections on the Collateral delivered to it or deposited in the Collateral Account as cash collateral or may apply such collections to the payment of the Obligations in such order as Lender may elect; provided, however, that after an Event of Default has occurred and is continuing, Lender shall apply all collections in accordance with Section 7.7. Until such payments are so delivered to Lender, such payments shall be held in trust by Grantor for and as Lender's property, and shall not be commingled with any funds of Grantor. Any application of any collection to the payment of any Obligation is conditioned upon final payment of any check or other instrument.

ARTICLE V ASSIGNMENT OF INSURANCE

Grantor hereby assigns to Lender, as additional security for payment of the Obligations, any and all monies due or to become due under, and any and all other rights of Grantor with respect to, any and all policies of insurance covering the Collateral. So long as no Default or Event of Default has occurred and is continuing, Grantor may itself adjust and collect for any losses of up to an aggregate amount of \$100,000.00 for all occurrences during any of Grantor's fiscal years and Grantor may use the resulting Insurance Proceeds for the replacement,

restoration or repair of the Collateral. After the occurrence and during the continuance of a Default or an Event of Default, or after the aggregate amount of losses arising out of all occurrences during any of Grantor's fiscal years exceeds \$100,000.00, Lender may (but need not) in its own name or in Grantor's name execute and deliver proofs of claim, receive such monies, and settle or litigate any claim against the issuer of any such policy and Grantor directs the issuer to pay any such monies directly to Lender and Lender, at its sole discretion and regardless of whether Lender exercises its right to collect Insurance Proceeds under this sentence, may apply any Insurance Proceeds to the payment of the Obligations, whether due or not, in such order and manner as Lender may elect or may permit Grantor to use such Insurance Proceeds for the replacement, restoration or repair of the Collateral.

ARTICLE VI EVENTS OF DEFAULT

The occurrence of any Event of Default as defined in the Credit Agreement shall constitute an Event of Default hereunder ("Event of Default").

ARTICLE VII RIGHTS AND REMEDIES ON DEFAULT

Upon the occurrence of an Event of Default, and at any time thereafter until such Event of Default is cured to the satisfaction of Lender, and in addition to the rights granted to Lender under Articles IV and V hereof, Lender may exercise any one or more of the following rights and remedies:

7.1 Acceleration of Obligations. Declare any and all Obligations to be immediately due and payable, and the same shall thereupon become immediately due and payable without further notice or demand.

7.2 Right of Offset. Offset any deposits, including unmatured time deposits, then maintained by Grantor with Lender, whether or not then due, against any indebtedness then owed by Grantor to Lender whether or not then due.

7.3 Deal with Collateral. In the name of Grantor or otherwise, demand, collect, receive and give receipt for, compound, compromise, settle and give acquittance for and prosecute and discontinue any suits or proceedings in respect of any or all of the Collateral.

7.4 Realize on Collateral. Take any action which Lender may deem reasonably necessary or desirable in order to realize on the Collateral, including, without limitation, the power to perform any contract, to endorse in the name of Grantor any checks, drafts, notes, or other instruments or documents received in payment of or on account of the Collateral. Lender may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral. Lender may sell the Collateral without giving any warranties as to the Collateral. Lender may specifically disclaim any warranties of

title or the like. This procedure will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral.

7.5 Access to Property. Enter upon and into and take possession of all or such part or parts of the properties of Grantor, including lands, plants, buildings, machinery, equipment, Data Processing Records and Systems and other property as may be necessary or appropriate in the reasonable judgment of Lender, to permit or enable Lender to store, lease, sell or otherwise dispose of or collect all or any part of the Collateral, and use and operate said properties for such purposes and for such length of time as Lender may reasonably deem necessary or appropriate for said purposes without the payment of any compensation to Grantor therefor. Grantor shall provide Lender with all information and assistance requested by Lender to facilitate the storage, leasing, sale or other disposition or collection of the Collateral after an Event of Default has occurred and is continuing.

7.6 Other Rights. Exercise any and all other rights and remedies available to it by law or by agreement, including rights and remedies under the UCC as adopted in the relevant jurisdiction or any other applicable law, or under the Credit Agreement and, in connection therewith, Lender may require Grantor to assemble the Collateral and make it available to Lender at a place to be designated by Lender, and any notice of intended disposition of any of the Collateral required by law shall be deemed reasonable if such notice is mailed or delivered to Grantor at its address as shown on Lender's records at least 10 days before the date of such disposition.

7.7 Application of Proceeds. All proceeds of Collateral shall be applied: (a) prior to the effective date of Revised Article 9, in accordance with Minnesota Statutes Section 336.9-504; or (b) on and after the effective date of Revised Article 9, in accordance with Minnesota Statutes Section 336.9-609, and such proceeds applied toward the Obligations shall be applied in such order as Lender may elect.

7.8 Patents and Trademarks. Upon the occurrence and during the continuance of an Event of Default:

(a) Lender may, at any time and from time to time, upon thirty (30) days' prior notice to Grantor, license or, to the extent permitted by an applicable license, sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any Patent or Trademark, throughout the world for such term or terms, on such conditions, and in such manner, as Lender shall in its sole discretion determine;

(b) Lender may (without assuming any obligations or liability thereunder), at any time enforce (and shall have the exclusive right to enforce) against any licensor, licensee or sublicensee all rights and remedies of Grantor in, to and under any one or more license or other agreements with respect to any Patent or Trademark and take or refrain from taking any action under any such license or other agreement, and Grantor hereby releases Lender from, and agrees to hold Lender free and harmless from and against, any claims arising out of, any action taken or omitted to be taken with respect to any such license or agreement;

(c) Any and all payments received by Lender under or in respect of any Patent or Trademark (whether from Grantor or otherwise), or received by Lender by virtue of the exercise of the licenses or assignments granted to Lender by this Section 7.8 shall be applied to the Obligations in accordance with Section 7.7 hereof;

(d) Lender may exercise in respect of the Patents and Trademarks, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the UCC;

e) In order to implement the sale, lease, assignment, license, sublicense or other disposition of any of the Patents and Trademarks pursuant to this Section 7.8, Lender may, at any time, execute and deliver on behalf of Grantor one or more instruments of assignment of the Patents and Trademarks (or any application or registration thereof), in form suitable for filing, recording or registration in any country. Grantor agrees to pay when due all reasonable costs incurred in any such transfer of the Patents and Trademarks, including any taxes, fees and reasonable attorneys' fees;

(f) In the event of any sale, lease, assignment, license, sublicense or other disposition of any of the Patents or Trademarks pursuant to this Section, Grantor shall supply to Lender or its designee its know-how and expertise relating to the manufacture and sale of the products relating to any Patent or Trademark subject to such disposition, and its customer lists and other records relating to such Patents or Trademarks and to the distribution of said products; and

(g) For the purpose of enabling Lender to exercise rights and remedies under this Agreement at such time as Lender shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, Grantor hereby grants to Lender, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to Grantor) to use, license or sublicense at such time any Patent or Trademark, now owned or hereafter acquired by Grantor, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer and automatic machinery software and programs used for the compilation or printout thereof.

7.9 Copyrights. Upon the occurrence and during the continuance of an Event of Default:

(a) Lender may, at any time and from time to time, upon thirty (30) days' prior notice to Grantor, license or, to the extent permitted by an applicable license, sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any Copyright, for such term or terms, on such conditions, and in such manner, as Lender shall in its sole discretion determine;

(b) Lender may (without assuming any obligations or liability thereunder), at any time, enforce (and shall have the exclusive right to enforce) against any licensor, licensee

IN WITNESS WHEREOF, the undersigned has executed this Agreement as of the date and year first above written.

REHABILICARE INC.

By: *W. Allen Winchell*
Its: *Vice President of Finance*

U. S. BANK NATIONAL ASSOCIATION

By: *Michael J. Stalock*
Its: *V.P.*