

**TRADEMARK ASSIGNMENT**

Electronic Version v1.1  
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT		
NATURE OF CONVEYANCE:	SECURITY INTEREST		
<b>CONVEYING PARTY DATA</b>			
Name	Formerly	Execution Date	Entity Type
LAI International, Inc.		06/07/2005	CORPORATION: MINNESOTA
<b>RECEIVING PARTY DATA</b>			
Name:	Excel Bank Minnesota		
Street Address:	50 South Sixth Street		
City:	Minneapolis		
State/Country:	MINNESOTA		
Postal Code:	55402		
Entity Type:	CORPORATION: MINNESOTA		
<b>PROPERTY NUMBERS Total: 1</b>			
Property Type	Number	Word Mark	
Registration Number:	2917070	LAI	
<b>CORRESPONDENCE DATA</b>			
Fax Number:	(612)604-6825		
	<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>		
Phone:	612-604-6400		
Email:	tarnlund@winthrop.com		
Correspondent Name:	Troy E. Arnlund		
Address Line 1:	225 South Sixth Street		
Address Line 2:	Suite 3500		
Address Line 4:	Minneapolis, MINNESOTA 55402		
NAME OF SUBMITTER:	Troy E. Arnlund		
Signature:	/Troy E. Arnlund/		
Date:	06/21/2005		
Total Attachments: 12			

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## **PATENT AND TRADEMARK SECURITY AGREEMENT**

**THIS PATENT AND TRADEMARK SECURITY AGREEMENT** (“Security Agreement”) made as of this 7<sup>th</sup> day of June, 2005, by **LAI INTERNATIONAL, INC.** a Minnesota corporation, with its principal place of business at 7645 Baker Street N.E., Fridley, Minnesota 55432 (“Debtor”), in favor of **EXCEL BANK MINNESOTA**, a Minnesota state banking corporation with an office at 50 South Sixth Street, Suite 1000, Minneapolis, MN 55402 (“Secured Party”):

### **WITNESSETH:**

**WHEREAS**, Debtor and Secured Party are parties to a certain Credit and Security Agreement (“Credit Agreement”) and other related loan documents of even date herewith (collectively, with the Credit Agreement, “Loan Documents”), which Loan Documents provide (i) for Secured Party to, from time to time, extend credit to or for the account of Debtor and (ii) for the grant by Debtor to Secured Party of a security interest in certain of Debtor’s assets including, without limitation, its patents and trademarks and patent and trademark applications;

**NOW, THEREFORE**, in consideration of the premises set forth herein and for other good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, Debtor agrees as follows:

1. **Capitalized Terms.** All terms capitalized but not otherwise defined herein shall have the same meanings herein as in the Loan Documents.

2. **Security Interest.** To secure the complete and timely satisfaction of all of Debtor’s “Obligations” (as defined in the Credit Agreement), Debtor hereby grants, bargains, assigns, mortgages, pledges, sells, creates a security interest in, transfers and conveys to Secured Party, as and by way of a first security interest having priority over all other security interests, with power of sale, to the extent permitted by law or by the specific license agreements, upon the occurrence of an “Event of Default” (as defined in the Credit Agreement) all of Debtor’s right, title and interest in and to all of its now existing and hereafter created or acquired:

(i) patents and patent applications including, without limitation, the inventions and improvements described and claimed therein, and those patents listed on Exhibit A attached hereto and hereby made a part hereof, and (a) the reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, (b) all income, damages and payments now and hereafter due or payable under or with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, (c) the right to sue for past, present and future infringements thereof, and (d) all rights corresponding thereto throughout the world (all of the foregoing patents and applications, together with the items described in clauses (a)-(d) of this subsection 2(i), are sometimes

hereinafter referred to individually as a "Patent" and, collectively, as the "Patents");

(ii) trademarks, trademark registrations, trademark applications, tradenames and tradestyles, service marks, service mark registrations and service mark applications including, without limitation, the trademarks, tradenames, service marks and applications and registrations thereof listed on Exhibit B attached hereto and hereby made a part hereof, and (a) renewals or extensions thereof, (b) all income, damages and payments now and hereafter due or payable with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, (c) the right to sue for past, present and future infringements thereof, and (d) all rights corresponding thereto throughout the world (all of the foregoing trademarks, tradenames and tradestyles, service marks and applications and registrations thereof, together with the items described in clauses (a)-(d) of this subsection 2(ii), are sometimes hereinafter referred to individually as a "Trademark" and, collectively, as "Trademarks"); and

(iii) all license agreements with respect to any of the Patents or the Trademarks or any other patent, trademark, service mark or any application or registration thereof between Debtor and any other party, whether Debtor is a licensor or licensee under any such license agreement including, without limitation, the licenses listed on Exhibit C attached hereto and hereby made a part hereof (all of the foregoing license agreements and Debtor's rights thereunder are referred to collectively as "Licenses"), and the goodwill of Debtor's business connected with and symbolized by the Trademarks.

3. Warranties and Representations. Debtor warrants and represents to Secured Party that:

(i) The Patents, Trademarks and Licenses have not been adjudged invalid or unenforceable and have not been cancelled, in whole or in part, and are presently subsisting;

(ii) Each of the Patents, Trademarks and Licenses is valid and enforceable;

(iii) Debtor is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Patents, Trademarks and Licenses, free and clear of any liens, charges and encumbrances (except for Permitted Liens) including, without limitation, licenses, shop rights and covenants by Debtor not to sue third persons;

(iv) Debtor has adopted, used and is currently using all of the Trademarks;

(v) Debtor has no notice of any suits or actions commenced or threatened with reference to the Patents, Trademarks or Licenses; and

(vi) Debtor has the right to execute and deliver this Security Agreement and perform its terms and has entered into or will enter into written agreements with each of its present and future employees, agents and consultants which will enable it to comply with the covenants contained herein.

4. Restrictions on Future Agreements. Debtor agrees that until Debtor's Obligations shall have been satisfied in full and the Loan Documents shall have been terminated, except as may be permitted by the Credit Agreement, Debtor shall not sell or assign its interest in, or grant any license under, the Patents, Trademarks or Licenses, or enter into any other agreement with respect to the Patents, Trademarks or Licenses which is inconsistent with Debtor's obligations under this Security Agreement, without the prior written consent of Secured Party, and Debtor further agrees that it shall not take any action, or permit any action to be taken by others subject to its control, including licensees, or fail to take any action (solely with respect to the Patents and the Trademarks), which would affect the validity or enforcement of the rights transferred to Secured Party under this Security Agreement.

5. New Patents and Licenses. Debtor represents and warrants that, to the best of Debtor's knowledge, the Patents, Trademarks and Licenses listed on Exhibits A, B and C, respectively, constitute all of the Patents, Trademarks and Licenses now owned by Debtor. If, before Debtor's Obligations shall have been satisfied in full or before the Loan Documents have been terminated, Debtor shall (i) become aware of any existing Patents, Trademarks or Licenses of which Debtor has not previously informed Secured Party, (ii) obtain rights to any new patentable inventions, Patents, Trademarks or Licenses, or (iii) become entitled to the benefit of any Patents, Trademarks or Licenses or any improvement on any Patent, the provisions of this Security Agreement above shall automatically apply thereto and Debtor shall give to Secured Party prompt written notice thereof. Debtor hereby authorizes Secured Party to modify this Security Agreement by amending Exhibits A, B and C, as applicable, to include any such Patents, Trademarks and Licenses.

6. Royalties; Terms. The term of the security interests granted herein shall extend until the earlier of (i) the expiration of each of the respective Patents, Trademarks and Licenses assigned hereunder, and (ii) Debtor's Obligations have been paid in full and the Loan Documents have been terminated. Upon the occurrence of an Event of Default, Debtor agrees that the use by Secured Party of all Patents, Trademarks and Licenses shall be worldwide and without any liability for royalties or other related charges from Secured Party to the Debtor.

7. Grant of License to Debtor. Unless and until an Event of Default shall have occurred, Secured Party hereby grants to Debtor the exclusive, nontransferable right and license to use the Trademarks in the ordinary course of its business, to exercise Secured Party's rights under the Licenses, and to make, have made, use and sell the inventions disclosed and claimed in the Patents for Debtor's own benefit and account and for none other. Debtor shall use the Trademarks only on goods of at least as high quality as the goods on which Debtor or its

predecessor used the Trademarks prior to the date hereof. Except as may be permitted by the Credit Agreement, Debtor agrees not to sell or assign its interest in, or grant any sublicense under, the license granted to Debtor in this Section 7, without the prior written consent of Secured Party. From and after the occurrence of an Event of Default, Debtor's license with respect to the Patents, Trademarks and Licenses set forth in this Section 7 shall terminate forthwith, and Secured Party shall have, in addition to all other rights and remedies given it by this Security Agreement, those allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any of the jurisdictions in which the Patents, Trademarks or Licenses may be located.

8. Secured Party's Right to Inspect. Secured Party shall have the right, at any time and from time to time during normal business hours and prior to payment in full of Debtor's Obligations and termination of the Loan Documents, to inspect Debtor's premises and to examine Debtor's books, records and operations, including, without limitation, Debtor's quality control processes. Debtor agrees (i) to maintain the quality of any and all products in connection with which the Trademarks are used, consistent with the quality of said products as of the date hereof and (ii) to provide Secured Party, upon Secured Party's request from time to time, with a certificate of an officer of Debtor certifying Debtor's compliance with the foregoing. Upon the occurrence of an Event of Default, Debtor agrees that Secured Party, or a conservator appointed by Secured Party, shall have the right to establish such additional product quality controls as Secured Party, or said conservator, in its sole judgment, may deem necessary to assure maintenance of the quality of products sold by Debtor under the Trademarks.

9. Release of Security Agreement. This Security Agreement is made for collateral purposes only. Upon payment in full of Debtor's Obligations and termination of the Loan Documents, Secured Party shall execute and deliver to Debtor an instrument in appropriate form, in order to re-vest in Debtor full title to the Patents, Trademarks and Licenses, subject to any disposition thereof which may have been made by Secured Party pursuant hereto or pursuant to the Loan Documents.

10. Expenses. All expenses incurred in connection with the performance of any of the agreements set forth herein shall be borne by Debtor. All fees, costs and expenses, of whatever kind or nature, including reasonable attorneys' and paralegals' fees and legal expenses, incurred by Secured Party in connection with the filing or recording of any documents (including all taxes in connection therewith) in public offices, the payment or discharge of any taxes, counsel fees, maintenance fees, encumbrances or otherwise in protecting, maintaining or preserving the Patents, Trademarks and Licenses, or in defending or prosecuting any actions or proceedings arising out of or related to the Patents, Trademarks and Licenses, shall be borne by and paid by Debtor on demand by Secured Party and until so paid shall be added to the principal amount of Debtor's Obligations and shall bear interest at the rate for "Revolving Advances" (as defined in the Credit Agreement).

11. Duties of Debtor. Debtor shall have the duty, to the extent commercially reasonable (i) to prosecute diligently any patent, trademark or service mark applications pending as of the date hereof or thereafter until Debtor's Obligations shall have been paid in full, (ii) to

make application on unpatented but patentable inventions and on trademarks and service marks, as appropriate, (iii) to preserve and maintain all rights in the Patents, Trademarks and Licenses, and (iv) to ensure that the Patents, Trademarks and Licenses are and remain enforceable. Any expenses incurred in connection with Debtor's obligations under this Section 11 shall be borne by Debtor. Debtor shall not abandon any right to file a patent, trademark or service mark application, or abandon any pending patent application, or any other Patent, Trademark or License without the consent of Secured Party, except to the extent it is not commercially reasonable not to so abandon any such right, application, Patent, Trademark or License.

12. Secured Party's Right to Sue. After the occurrence of an Event of Default, Secured Party shall have the right, but shall in no way be obligated, to bring suit in its own name to enforce the Patents, Trademarks and Licenses and, if Secured Party shall commence any such suit, Debtor shall, at the request of Secured Party, do any and all lawful acts and execute any and all proper documents required by Secured Party in aid of such enforcement and Debtor shall promptly, upon demand, reimburse and indemnify Secured Party for all reasonable costs and expenses incurred by Secured Party in the exercise of its rights under this Section 12.

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

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

15. Modification. This Security Agreement cannot be altered, amended or modified in any way, except as specifically provided in Section 5 hereof or by a writing signed by the parties hereto.

16. Cumulative Remedies; Power of Attorney; Effect on Financing Agreement. All of Secured Party's rights and remedies with respect to the Patents, Trademarks and Licenses, whether established hereby or by the Loan Documents, or by any other agreements or by law shall be cumulative and may be exercised singularly or concurrently. Upon the occurrence of an Event of Default, Debtor hereby authorizes Secured Party to make, constitute and appoint any officer or agent of Secured Party as Secured Party may select, in its sole discretion, as Debtor's true and lawful attorney-in-fact, with power to (i) endorse Debtor's name on all applications, documents, papers and instruments necessary or desirable for Secured Party in the use of the Patents, Trademarks and Licenses, or (ii) take any other actions with respect to the Patents, Trademarks and Licenses as Secured Party deems to be in the best interest of Secured Party, or (iii) grant or issue any exclusive or non-exclusive license under the Patents,

Trademarks or Licenses to anyone, or (iv) assign, pledge, convey or otherwise transfer title in or dispose of the Patents, Trademarks or Licenses to anyone. Secured Party hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney shall be irrevocable until Debtor's Obligations shall have been paid in full and the Credit Agreement, including any amendments thereto, has been terminated. Debtor acknowledges and agrees that this Security Agreement is not intended to limit or restrict in any way the rights and remedies of Secured Party under the Loan Documents but rather is intended to facilitate the exercise of such rights and remedies. Secured Party shall have, in addition to all other rights and remedies given it by the terms of this Security Agreement and the Loan Documents, 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 Patents, Trademarks or Licenses may be located.

17. Binding Effect; Benefits. This Security Agreement shall be binding upon the Debtor and its successors and assigns, and shall inure to the benefit of Secured Party, its successors, nominees and assigns.

18. Governing Law. This Security Agreement shall be governed by and construed in accordance with the internal laws of the State of Minnesota.

19. Headings. Paragraph headings used herein are for convenience only and shall not modify the provisions which they precede.

20. Further Assurances. Debtor agrees to execute and deliver such further agreements, instruments and documents, and to perform such further acts, as Secured Party shall reasonably request from time to time in order to carry out the purpose of this Security Agreement and agreements set forth herein.


21. Survival of Representations. All representations and warranties of Debtor contained in this Security Agreement shall survive the execution and delivery of this Security Agreement and shall be remade on the date of each borrowing under the Loan Documents.

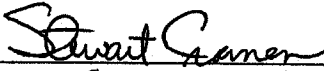


IN WITNESS WHEREOF, Debtor has duly executed this Patent and Trademark Security Agreement in favor of Secured Party as of the date first written above.

ATTEST:

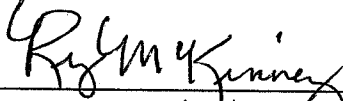
LAI INTERNATIONAL, INC.

  
\_\_\_\_\_  
Title: SECRETARY

  
\_\_\_\_\_  
By: STEWART CRAMER  
Title: PRESIDENT

AGREED AND ACCEPTED this \_\_\_\_ day  
of June, 2005

EXCEL BANK MINNESOTA

  
\_\_\_\_\_  
By: RYAN MCKINNEY  
Title: SVP

THIS INSTRUMENT PREPARED BY AND  
AFTER FILING RETURN TO:

James W. Dierking, Esq.  
Winthrop & Weinstine, P.A.  
Suite 3500  
225 South Sixth Street  
Minneapolis, MN 55402

**ACKNOWLEDGMENT**

STATE OF MINNESOTA    )  
  ) SS.  
COUNTY OF HENNEPIN    )

The foregoing Patent and Trademark Security Agreement was executed and acknowledged before me this \_\_\_\_\_ day of June, 2005, by STEWART CRAMER, personally known to me to be the PRESIDENT of LAI INTERNATIONAL, INC., a Minnesota corporation, on behalf of such corporation.



Margaret Stanley  
Notary Public

HENNEPIN County, MN

My Commission expires:

\_\_\_\_\_



**EXHIBIT A**

**Patents**

<b>OWNER</b>	<b>SERIAL NO.</b>	<b>ISSUED/STATUS</b>	<b>TITLE</b>
Debtor (1)	6,752,685	6/22/04	Adaptive nozzle system for high-energy abrasive stream cutting
Debtor (1) (2)	6,846,221	1/25/05	Adaptive nozzle system for high-energy abrasive stream cutting

(1) Laser Applications, Inc. was the owner prior to the merger with and into the Debtor on or about the date hereof.

(2) Assigned under agreement filed under 6,752,685 case, but assignment to Laser Applications, Inc. not recorded with U.S. Patent Office.

**Applications Pending**

- U.S. Pat. Appl. No. 11/039,225 filed 1/19/05. "Variable Rate Dispensing System for Abrasive Material and Method Thereof." Application is not currently assigned to Debtor.

**EXHIBIT B**

**Trademarks**

<b>OWNER</b>	<b>REGISTRATION NO.</b>	<b>REGISTRATION DATE</b>	<b>JURISDICTION</b>	<b>DESCRIPTION</b>
Debtor (1)	2,917,070	Registered: 1/11/05	USPTO	LAI and Design
Debtor (1)	199,600,028	Registered: 9/11/96	Maryland	LAI/PRECISION PROCESSING BY PERFORMANCE PEOPLE and design
Debtor (1)	199,6S3,567	Registered: 6/20/96	Maryland	PRECISION PROCESSING BY PERFORMANCE PEOPLE and design

(1) Laser Applications, Inc. was the owner prior to the merger with and into the Debtor on or about the date hereof.

**Applications Pending**

None

**EXHIBIT C**

**Licenses**

<b>Name of License</b>	<b>Date</b>	<b>Licensee</b>	<b>Licensor</b>	<b>Term of License</b>
Proprietary Rights and Nondisclosure Agreement	5/23/02	General Electric Company	Debtor	Perpetual, terminable upon notice

Note: Debtor also has licenses for generally available commercial software and implied licenses attendant to sale and services in the ordinary course.

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