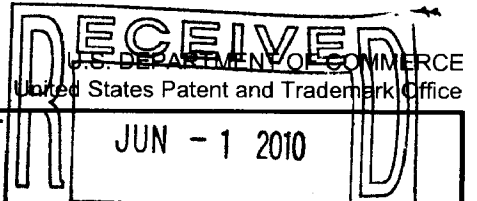


06-02-2010



103598679

SHEET 1 OF 1

JUN - 1 2010

To the Director of the U. S. Pat.

Attached documents or the new address(es) below

01/1/10

1. Name of conveying party(ies):

NAUTILUS, INC.

- Individual(s)
- General Partnership
- Corporation- State: Washington
- Other

Citizenship (see guidelines)

Additional names of conveying parties attached? Yes No

2. Name and address of receiving party(ies)

Additional names, addresses, or citizenship attached? Yes No

Name: Med-Fit Systems, Inc.

Internal

Address:

Street Address: 543 E. Alvarado

City: Fallbrook

State: CA

Country: United States of America Zip: 92028

- Association
- General Partnership
- Limited Partnership
- Corporation
- Other

Citizenship California
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)

3. Nature of conveyance)/Execution Date(s) :

Execution Date(s) February 18, 2010

- Assignment
- Security Agreement
- Other Assignment of Exclus TM License
- Merger
- Change of Name

4. Application number(s) or registration number(s) and identification or description of the Trademark.

A. Trademark Application No.(s)
73593082

B. Trademark Registration No.(s)
1421797

Additional sheet(s) attached? Yes No

C. Identification or Description of Trademark(s) (and Filing Date if Application or Registration Number is unknown):

QUINTON

Filing Date: April 14, 1986

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

Name: Harris F. Brotman, Brotman Bioscience Patent Law

Internal Address:

Street Address: 7911 Herschel Avenue, Suite 300

City: La Jolla

State: CA Zip: 92037

Phone Number: 858 456 1988

Fax Number:

Email Address: harris@biobrotman.com

6. Total number of applications and registrations involved:

1 (one)

7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$40.00

- Authorized to be charged to deposit account
- Enclosed

8. Payment Information:

06/01/2010 NJAMA1 00000052 73593082

01 FC:0521

Deposit Account Number NA

40.00 0P

Authorized User Name NA

9. Signature:

Harris F. Brotman
Signature

MAY 26, 2010
Date

Harris F. Brotman

Name of Person Signing

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

25

✓

Exhibit G

COMMERCIAL LICENSE AGREEMENT

THIS LICENSE AGREEMENT (hereinafter "License" or "Agreement") is by and between Med-Fit Systems, Inc. a California corporation ("Buyer") and Nautilus, Inc., a Washington corporation ("Nautilus") (collectively the "Parties"). This License is an exhibit to an Asset Purchase Agreement (the "APA") entered into on the same date between the Parties.

This Agreement shall be effective as of February 18, 2010 ("the **Effective Date**").

The Parties agree as follows:

1. Definitions and List of Schedules

- 1.1. Unless expressly defined otherwise herein, any term defined in the Asset Purchase Agreement shall have the same meaning in this Agreement.
- 1.2. "**Accessories**" shall mean products for use with Fitness Products. By way of example, but not of limitation, Accessories shall include benches for weight training, stands for supporting weights, mats, flooring, data storage for tracking workouts, interfaces, media players, televisions, entertainment and training software, and similar.
- 1.3. "**Affiliate**" shall have the meaning set forth in rule 12b-2 of the regulations promulgated under the Securities Exchange Act in force as of the effective date of this License.
- 1.4. "**Asset Purchase Agreement**" or "**APA**" shall mean the agreement entered into between the Parties to which this Agreement is an exhibit.
- 1.5. "**Cardio Products**" shall mean products intended to improve cardiovascular fitness, primarily through aerobic conditioning. By way of example, but not of limitation, Cardio Products shall include treadmills, stationary cycles (upright and recumbent), elliptical machines, steppers, and all products that attach to, or physically interface with, treadmills, stationary cycles, elliptical machines, and steppers. Cardio Products typically

The license grant by Buyer to Nautilus of the Manhattan Patents shall be exclusive to Nautilus in the Retail and Direct Channels.

2.23. **Covenant Not To Sue:** While this License is in effect Nautilus hereby covenants not to sue Buyer for infringement of any Nautilus owned or licensed intellectual property rights not licensed herein for Buyer's manufacture, distribution, sale, offer to sell, use in commerce, importation, display, reproduction, or derivative works of Fitness Products, Accessories, and Marketing Collateral in the Commercial Channel only.

2.23.1. **"Fitness Products," and by extension this Covenant, do not include the TreadClimber Products or intellectual property rights thereto.**

2.23.2. This Covenant is personal to Buyer and is not transferable or assignable without the express written permission of Nautilus. This Covenant shall be null and void and shall have no effect in the event that Buyer is or becomes a competitor of Nautilus in the Retail or Direct Channels.

2.24. For the avoidance of doubt, the Parties agree that all inventions, works, trade secrets, and know-how created by Buyer after the Effective Date shall be the property of Buyer and Nautilus shall have rights therein only as expressly stated in this Agreement; further, Buyer shall own its rights in derivative works and inventions it creates after the Effective Date even if the underlying work or invention is Licensed IP.

2.25. Nautilus hereby assigns to Buyer, in connection with this sale of the commercial business, all of Nautilus' rights and interest in the License Agreement dated 1 Oct. 2002 between Quinton, Inc. and Nautilus, Inc. and Buyer agrees to assume all rights and obligations of the License Agreement and Buyer shall indemnify Nautilus for all actions of Buyer in connection therewith.

*Quinton
Mark*

3. Royalty


3.1. For the Licenses granted herein, Buyer shall pay to Nautilus a running royalty according to the following schedule. Royalty calculations are made on a calendar year basis. Royalty payments shall be quarterly. Each quarterly payment shall be the higher of the Minimum Royalty specified for the period or the running royalty calculated as a percent

17.16. **Determining Time Periods.** Time periods for Written Notice under this Agreement, such as a time period for taking action upon Written Notice, shall not count the day the Written Notice is effective and shall end at midnight Vancouver, Washington time of the last day of the time period.

In agreement hereto the parties have signed below.

Med-Flt Systems, Inc.
(Buyer)

Nautilus, Inc.
(Nautilus)


Signature


Signature

Dean Sbragia
Printed Name

Kenneth L. Fish
Printed Name

Title

CFO
Title

Date

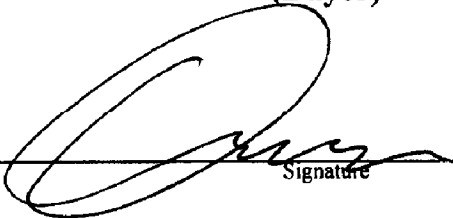
February 19, 2010
Date

17.16. **Determining Time Periods.** Time periods for Written Notice under this Agreement, such as a time period for taking action upon Written Notice, shall not count the day the Written Notice is effective and shall end at midnight Vancouver, Washington time of the last day of the time period.

In agreement hereto the parties have signed below.

Med-Fit Systems, Inc.
(Buyer)

Nautilus, Inc.
(Nautilus)



Signature

Signature

Dean Sbragia

Printed Name

Printed Name

Title

Title

Date

Date

LICENSE AGREEMENT

THIS AGREEMENT is made this 1st day of October, 2002 by and between Quinton, Inc., a Washington corporation with a principal place of business at 3303 Monte Villa Parkway, Bothell, Washington 98021 ("Licensor"), and Nautilus, Inc., a Washington corporation with a principal place of business at 1400 NE 136th Avenue, Vancouver, Washington 98684 ("Licensee").

RECITALS

WHEREAS Licensor is the owner of the trademarks (the "Marks") and registrations thereof identified on Schedule A; and

WHEREAS Licensee desires to obtain a license under the Marks from the Licensor to design, manufacture and sell the Licensed Products (as defined below), pursuant to the terms of this License Agreement ("Agreement"); and

WHEREAS this Agreement is the Intellectual Property (Trademark) License contemplated by Paragraph 7.10.2 of the Asset Purchase Agreement dated October 1, 2002, by and between Quinton, Inc., StairMaster Health & Fitness Products, Inc. and Nautilus, Inc. ("APA").

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises herein contained, it is hereby agreed:

TERMS OF AGREEMENT

1. **Grant of License.** Subject to the noncompetition provisions provided in Paragraph 7.11.1 of the APA, Licensor hereby grants Licensee an exclusive worldwide, royalty-free, perpetual, license to use the Marks in connection with the design, manufacture, and sale of exercise equipment intended for use in the health and fitness industries ("Licensed Products"); provided, however, that Licensed Products (and the exclusive license) shall not include treadmills for use in medical diagnostic testing and rehabilitation where subjects are monitored with medical equipment by medical personnel. The license granted herein shall be sublicensable by Licensee only as to Licensee's Affiliates and parties manufacturing and distributing the Licensed Products under the control of an Affiliate. Affiliates shall mean companies with majority ownership or control held by The Nautilus Group, Inc. Licensor covenants that it will not grant any right or license to use the Marks to any third party (other than its successor in interest as a result of merger, sale or other transfer of substantially all of its

related assets pursuant to Section 9) for use in the fitness industry. Licensee accepts the license subject to the following terms and conditions.

2. Ownership of Marks.

a. Licensor represents and warrants that, to the best of its knowledge, it is free to enter into this Agreement, and that it will not enter into any other agreement which would conflict with the terms of this Agreement; it has, and will have throughout the term of this Agreement, ownership and/or control of the Marks, and the right to license the Marks to Licensee in accordance with the terms and provisions of this Agreement; and that Exhibit A is a complete listing of registrations and applications for registration of the name and mark "Quinton" as of the date hereof.

b. Licensee acknowledges the ownership of the Marks in Licensor, agrees that it will do nothing inconsistent with such ownership and agrees that all use of the Marks will inure to the benefit of Licensor. Licensee agrees that nothing in this License shall give Licensee any right, title or interest in the Marks other than the right to use the Marks in accordance with this License, and Licensee agrees it will not, itself or directly or indirectly assist others to, attack the title of Licensor to the Marks or attack the validity of this License.

3. Quality Standards. Licensee agrees that the nature and quality of the Licensed Products designed, manufactured and sold by Licensee in connection with the Marks shall comply with quality standards reasonably established by Licensor from time to time, provided that Licensee shall be deemed to have complied with such standards if the quality of its uses of the Marks (i) is commensurate with the quality adhered to by Licensor, (ii) is not materially different from uses previously approved by Licensor, or (iii) is commensurate with the quality of Licensee's current products sold under the Marks. Licensee agrees to cooperate with Licensor in managing the quality of Licensee's use of the Marks, including without limitation, (i) providing Licensor, upon Licensor's reasonable request, with samples, photographs, drawings, or other representations of Licensee's use of the Marks, and (ii) providing Licensor with reasonable access to Licensee's (or its contractors') facilities where Licensed Products are manufactured or where Licensor may inspect samples of the Licensed Products.

4. Compliance with Applicable Law. Licensee shall comply with all applicable laws and regulations and obtain all appropriate government approvals pertaining to the sale, distribution and advertising of the Licensed Products.

5. Form of Use. Licensee agrees to use the Marks only in the form and manner consistent with its current use of the Marks on Licensee's treadmill products and promotional materials. Licensee's use of the Marks in a materially different manner or on a new Licensed

Product shall be subject to Licensor's prior written approval, which shall not be unreasonably withheld; it being understood that Licensee shall use the Marks on its treadmill products and other products principally intended to be marketed to the premium wellness segment of the fitness and health market and to the General Services Administration, and that it shall not be unreasonable for Licensor to withhold such approval (i) if Licensee has not provided Licensor with information sufficient to identify the intended market of the Licensed Products or such samples, photographs, drawings or other representations as Licensor may reasonably request or (ii) if such request for approval is for a product, or the application or use of a product, which is not principally intended to be marketed to the premium, wellness segment of the fitness and health market or the General Services Administration. In any event, should Licensor not respond to Licensee's request for approval within the later of (i) ten (10) business days of Licensor's receipt of Licensee's written request or (ii) its receipt of related samples, information concerning the applicable intended market, photographs, drawings or other representations, provided it requests such information within ten (10) business days of its receipt of Licensee's request, Licensor's failure to respond shall be deemed to be approval of Licensee's requested use.

6. Infringement. Licensee agrees to promptly notify Licensor of any unauthorized use of the Marks by others promptly as such unauthorized use comes to Licensee's attention.

a. Licensor shall have the first right, but no obligation, at its own discretion, to pursue any cause of action regarding the Marks. Licensor shall be solely responsible for all costs, fees, and expenses incurred in connection with such action(s) and Licensor shall be entitled to all proceeds from such action(s).

b. In the event that Licensor elects not to pursue a cause of action regarding the Marks, Licensee shall have the right, but no obligation, to pursue such action(s) to the extent that any of Licensor's Marks are involved. Licensee shall be solely responsible for all costs, fees, and expenses incurred in connection with, and shall have sole discretion in directing, such action(s), and Licensee shall be entitled to all proceeds from such action(s).

c. The parties shall reasonably cooperate with one another in any third-party infringement litigation regarding the Marks. Licensee shall not settle a cause of action regarding any of Licensor's Marks, nor enter into any agreement regarding any of Licensor's Marks, without first obtaining written permission from the Licensor.

7. **Indemnification for Claims by Third Party.** Licensee shall hold Licensor harmless, including defending and indemnifying Licensor, against all liabilities, demands, damages, expenses, or losses arising out of the design, manufacturing and sale of the Licensed Products including without limitation personal injury, product liability, false advertising or unfair trade practice claims or actions, but excluding claims or actions based on violation of any intellectual property rights of others relating to use of the Marks. Licensee shall list Licensor as an additional insured party on Licensee's liability insurance for the Licensed Products.

8. **Renewals/Additional Registrations.** If Licensor elects not to renew a registration of any of the Marks, it shall provide Licensee with sufficient notice of such election to allow Licensee, at its own expense, to pursue such renewal. Such action on the Licensee's part shall in no way change the Licensor's ownership rights. The Licensee under this Agreement may also request the Licensor to register any of the Marks in additional jurisdictions. If Licensor elects not to pursue such additional registrations, it shall so notify Licensee in writing and Licensee may, at its own expense, do so in the Licensor's name. Such action on Licensee's part shall in no way change the Licensor's ownership rights. Any additional registrations of the Marks, whether registered by Licensor or Licensee, shall be deemed Marks under this Agreement and subject to all rights and obligations herein.

9. **Assignment.** Neither this Agreement nor any portion of it may be assigned without the written consent of both parties, unless the assigning party is assigning this Agreement in connection with the transfer to a third party of substantially all of its assets, or a sale by Licensee of substantially all of its line of business relating to the Licensed Products. In addition, Licensor may assign its obligations under this Agreement in connection with the transfer to a third party of the Marks. However, each party hereto agrees that if any such assignment should occur, it shall provide that the assignee shall expressly adopt and agree to be bound by the terms of this Agreement. In any event, Licensee may not assign its rights under this Agreement to any competitor of Licensor's current business.

10. **Term/Termination.**

a. Except as specifically set forth in this Agreement the license granted in this Agreement shall not terminate and shall continue in perpetuity. Licensor shall have the right to terminate a license granted hereunder at any time with respect to a Licensee if a court or arbitrator determines that such Licensee breached in

any material respect any material provision of this Agreement and such breach is not cured within sixty (60) days after written decision from the court or arbitrator.

b. In the event of termination precipitated by a material breach by Licensee, Licensee shall immediately stop manufacturing the Licensed Product. Licensee may thereafter sell existing inventory of the Licensed Product for a period of three (3) months, or until all existing inventory of Licensed Product is depleted, whichever occurs earlier.

c. In the event of termination not precipitated by a material breach by either party, termination of this Agreement shall not prevent Licensee from continuing to sell the Licensed Product (1) for a period of six months; or (2) until all existing inventory of the Licensed Product and/or Licensed Product parts is depleted, whichever is earlier.

d. In no event shall either party be liable for any amounts representing loss of profits, loss of business, or its indirect, special, exemplary, consequential, or punitive damages, arising from the performance or non-performance of this Agreement.

11. Other Provisions.

a. Notices. All notices, reports, records, or other communications which are required or permitted to be given to the parties under this Agreement shall be sufficient in all respects if given in writing and delivered in person, by telecopy, by overnight courier, by facsimile, or by registered or certified mail, postage prepaid, return receipt requested, to the receiving party at the address listed on the first page of this Agreement or to such other address as such party may have given to the other by written notice pursuant to this Section. Notice shall be deemed given on the date of delivery, in the case of personal delivery, facsimile or telecopy, or on the delivery or refusal date, as specified on the return receipt, in the case of overnight courier or registered or certified mail.

b. Entire Agreement. This Agreement and the APA contain the final, entire and complete understanding between the parties as to the subject matter of this Agreement and merges and supersedes all prior discussions between them and/or their respective counsel, and neither of the parties shall be bound by any conditions, definitions, warranties, or representations with respect to the subject matter of this Agreement, other than as expressly provided in this Agreement or as duly set forth on or subsequent to the date hereof in writing signed by the parties.

c. Amendments. This Agreement may not be modified or terminated orally, and no claimed amendment, rescission or waiver shall be binding on a party unless in writing signed by that party or by a duly authorized representative of the party.

d. No Joint Venture. Nothing herein contained shall be construed to place the parties in the relationship of partners or joint ventures or agents.

e. Binding Effect. The provisions of this Agreement shall be binding upon and inure to the benefit of each of the parties and their respective successors and assigns permitted under this Agreement and each party shall affirmatively bind any such successors and assigns to the terms and conditions of this Agreement.

f. No Waiver. The failure of one of the parties to insist upon the strict performance of any provision of this Agreement or to exercise any right, power, or remedy upon a breach thereof shall not constitute a waiver of that or any other provision of this Agreement or limit that party's right thereafter to enforce any provision or exercise any right.

g. Rules of Construction. The following rules shall govern the interpretation and construction of this Agreement:

1. All headings for articles and sections are for convenience only and shall not limit, alter, or otherwise affect the construction or interpretation of this Agreement.

2. If any provision of this Agreement as applied to any party or any circumstance shall be adjudged by a court to be unlawful, void, or for any reason unenforceable, such provision shall be deemed separable from the remainder of this Agreement and the same shall in no way affect the validity or enforceability of any other provision of this Agreement, the application of such provision to other parties or circumstances, or the validity or enforceability of this Agreement as whole.

h. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

i. Authority Warranty. Each of the persons signing below warrants that he is duly authorized to sign this Agreement on behalf of the party for which he is signing.

j. Dispute Resolution. Any dispute between the parties to this Agreement shall be exclusively determined according to the following procedures:

1. Upon either party providing the other with written notice summarizing the dispute and requesting a meeting of the Presidents of each party. Such meeting shall be scheduled within twenty (20) days of the receipt of notice, unless extended by mutual agreement. If such meeting is not held within twenty (20) days of the receipt of notice (or within a mutually agreed upon extended period), and if such meeting does not result in a mutually acceptable resolution within thirty (30) days following receipt of notice, either party may, by written notice to the other, refer the dispute for mediation.

2. The parties shall mutually agree on the appointment of mediator within thirty (30) days following receipt of notice of mediation (or if they are unable to do so, either party may petition the American Arbitration Association for the appointment of mediator) and a nonbinding mediation shall occur within sixty (60) days of such notice.

3. If the parties are unable to reach a mutually acceptable resolution of the dispute through mediation, the parties may, but shall not be obligated to, submit the dispute to binding arbitration, or pursue such other rights and remedies as are available under applicable law. Any related litigation shall be brought in the courts of King County, Washington.

4. If any party brings any suit, action, counterclaim, or arbitration to enforce the provisions of this Agreement (including without limitation enforcement of any award or judgment obtained with respect to this Agreement), the prevailing party shall be entitled to recover a reasonable allowance for attorneys' fees and litigation expenses in addition to court costs.

k. Attorneys' Fees. If a party shall commence any arbitration or court action or proceeding against another party in order to enforce the provisions of this Agreement or to recover damages as a result of the alleged breach of any of the provisions of this Agreement, the prevailing party shall be entitled to recover all reasonable costs in connection therewith, including reasonable attorneys' fees.

l. Further Assurances. The parties shall cooperate fully with each other and execute such further instruments, documents, and agreements, and shall give such further written assurances, as may be reasonably requested by the other party to better evidence and reflect the transactions described herein and contemplated hereby, and to carry into effect the intent and purposes of this Agreement.

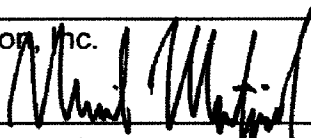
m. Survival of Terms and Conditions. Except as otherwise specifically provided for in this Agreement, the terms and conditions of this Agreement shall

survive the expiration or termination of this Agreement to the full extent necessary for their enforcement and for the protection of the party in whose favor they operate.

n. Applicable Law. This Agreement shall be governed by and construed according to the internal laws of the State of Washington without giving effect to Washington's conflicts of law principles. By execution of this Agreement, each party submits to *in personam* jurisdiction in the State of Washington. Venue for any action regarding this Agreement shall be King County, Washington.

o. Cumulative Remedies. Nothing in this Agreement shall be construed to suggest that termination of this Agreement shall be the exclusive remedy of a non-breaching party to this Agreement. Each party shall have all remedies available at law or in equity for breach of this Agreement, all of which remedies shall be cumulative.

IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed as of the following dates:

Quinton, Inc.
By: 
Name: Michael K. Matysik
Title: SVP and CEO
Dated: 10/1/02

Nautilus, Inc.
By: _____
Name: _____
Title: _____
Dated: _____

survive the expiration or termination of this Agreement to the full extent necessary for their enforcement and for the protection of the party in whose favor they operate.

n. Applicable Law. This Agreement shall be governed by and construed according to the internal laws of the State of Washington without giving effect to Washington's conflicts of law principles. By execution of this Agreement, each party submits to *in personam* jurisdiction in the State of Washington. Venue for any action regarding this Agreement shall be King County, Washington.


o. Cumulative Remedies. Nothing in this Agreement shall be construed to suggest that termination of this Agreement shall be the exclusive remedy of a non-breaching party to this Agreement. Each party shall have all remedies available at law or in equity for breach of this Agreement, all of which remedies shall be cumulative.

IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed as of the following dates:

Quinton Inc.

By: _____
Name: _____
Title: _____
Dated: _____

Nautilus, Inc.

By: 
Name: Randal R. Potter
Title: Vice President
Dated: 9/30/02

ASSET PURCHASE AGREEMENT

BETWEEN

**MED-FIT SYSTEMS, INC.
(Buyer)**

AND

**NAUTILUS, INC.
(Seller)**

February 18, 2010.

EXECUTION SET FOR CLOSING 2/19/10
SEA_DOCS 946035.16

TRADEMARK
REEL: 004216 FRAME: 0365

TABLE OF CONTENTS

Page

ARTICLE 1 - DEFINITIONS	1
ARTICLE 2 - BASIC TRANSACTION	4
2.1 Purchase and Sale of Assets.....	4
2.2 Assumption of Assumed Liabilities.....	4
2.3 Purchase Price.....	4
2.4 The Closing.....	4
2.5 Deliveries at the Closing.....	4
2.6 Allocation.....	5
2.7 Accounts Payable Reconciliation	5
2.8 Finished Goods Inventory	5
ARTICLE 3 - NAUTILUS' REPRESENTATIONS AND WARRANTIES	5
3.1 Organization of Nautilus.....	6
3.2 Authorization of Transaction	6
3.3 Non-Contravention	6
3.4 Brokers' Fees	6
3.5 Title to Assets	6
3.6 Financial Information.....	6
3.7 Inventory	7
3.8 Contracts	7
3.9 Terms of Sale	7
3.10 Customers and Suppliers.....	7
3.11 Litigation.....	7
3.12 Tangible Personal Property.....	7
3.13 Employment Matters.....	7
3.14 Environmental, Health and Safety Matters.....	8
ARTICLE 4 – BUYER'S REPRESENTATIONS AND WARRANTIES	8
4.1 Organization of Buyer.....	8
4.2 Authorization of Transaction	8
4.3 Non-contravention	8
4.4 Brokers' Fees	9

TABLE OF CONTENTS
(Continued)

Page

ARTICLE 5 - PRE-CLOSING COVENANTS	9
5.1 General.....	9
5.2 Notices and Consents	9
5.3 Full Access.....	9
5.4 Notice of Developments	9
5.5 Employees and Employee Benefits	10
ARTICLE 6 - POST-CLOSING COVENANTS.....	11
6.1 General.....	11
6.2 Litigation Support.....	11
6.3 Transition	11
6.4 Warranty	11
6.5 Buyer Financial Statements	11
ARTICLE 7 - CONDITIONS TO OBLIGATION TO CLOSE.....	12
7.1 Conditions to Buyer's Obligation	12
7.2 Conditions to Nautilus' Obligation.....	13
ARTICLE 8 - REMEDIES FOR BREACHES OF THIS AGREEMENT	13
8.1 Survival of Representations and Warranties.....	13
8.2 Indemnification Provisions for Buyer's Benefit	14
8.3 Indemnification Provisions for Nautilus' Benefit.....	14
8.4 Matters Involving Third Parties.....	15
8.5 Determination of Adverse Consequences.....	15
8.6 Liquidated Damages	16
8.7 Exclusive Remedy	16
ARTICLE 9 - TERMINATION.....	16
9.1 Termination of Agreement.....	16
9.2 Effect of Termination.....	17
ARTICLE 10 - MISCELLANEOUS	17
10.1 Press Releases and Public Announcements	17
10.2 No Third-Party Beneficiaries.....	17
10.3 Entire Agreement	17

TABLE OF CONTENTS
(Continued)

Page

10.4	Succession and Assignment.....	17
10.5	Counterparts.....	18
10.6	Headings	18
10.7	Notices	18
10.8	Governing Law	19
10.9	Amendments and Waivers	19
10.10	Severability	19
10.11	Expenses	19
10.12	Construction	19
10.13	Incorporation of Exhibits and Schedules	19
10.14	Bulk Transfer Laws.....	19
10.15	Governing Language.....	19
10.16	Tax Disclosure Authorization.....	19

-
- Exhibit A – Disclosure Schedule
 - Exhibit B – Form(s) of Assignment(s)
 - Exhibit C – Form of Assumption
 - Exhibit D – Allocation Schedule
 - Exhibit E – Financial Information
 - Exhibit F – Lease Agreement
 - Exhibit G – License Agreement

- Schedule 2.3 – Purchase Price Calculation and Payment Terms
- Schedule 2.8 – Finished Goods Inventory and Purchase Price

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "**Agreement**") is entered into as of February 18, 2010, by and between Med-Fit Systems, Inc., a California corporation ("**Buyer**"), and Nautilus, Inc., a Washington corporation ("**Nautilus**"). Buyer and Nautilus are referred to collectively herein as the "**Parties**."

This Agreement contemplates a transaction in which Buyer will purchase certain assets (and assume certain liabilities) of Nautilus relating to the Commercial Fitness Equipment business.

Now, therefore, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows.

ARTICLE 1 - DEFINITIONS

"**Acquired Assets**" means all right, title, and interest in and to the following assets of Nautilus: (a) the Commercial Fitness Equipment inventory, excluding finished goods inventory, consisting of Commercial Fitness Equipment raw materials, work-in-progress and spare parts, to be set forth in the Physical Inventory Report, (b) the Tangible Personal Property, and (c) the intellectual property rights described in the Commercial License Agreement.

"**Adverse Consequences**" means all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, dues, penalties, fines, costs, reasonable amounts paid in settlement, liabilities, obligations, taxes, liens, losses, expenses, and fees, including court costs and reasonable attorneys' fees and expenses.

"**Affiliate**" means, with respect to a specified Person, a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified.

"**Assumed Contracts**" means all contracts set forth on Section 3.8 of the Disclosure Schedules, which includes all customer purchase orders for delivery of Commercial Fitness Equipment which are open on the Closing Date.

"**Assumed Liabilities**" means the following liabilities and obligations of Nautilus (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due): (a) warranty liability for the Commercial Fitness Equipment products as provided in Section 6.4 below; (b) the liabilities and obligations set forth on Schedule 2.2 hereto, which includes all purchase orders for Commercial Fitness Equipment parts, components or supplies that are open on the Closing Date; (c) the liabilities and obligations under the Assumed Contracts; and (d) all liabilities and obligations arising out of or related to ownership or use of the Acquired Assets after the Closing.

land.

"Warranty Service Agreement" means the Warranty Service Agreement to be negotiated in good faith and executed by Buyer and Nautilus after Closing. Under the Warranty Service Agreement, Buyer shall provide warranty service for the TreadClimber® (TC 916) product, Nautilus EV916 product, and Clubtrack Treadmill Model 425, Model 510, and Model 620 products in North America by using parts provided by Nautilus at no charge to Buyer. If parts are needed that Nautilus is unable to provide, Buyer shall procure the parts and Nautilus shall reimburse Buyer for its actual cost of procuring such parts plus an additional service fee of 25% of such cost of procurement.

ARTICLE 2 - BASIC TRANSACTION

2.1 Purchase and Sale of Assets. On and subject to the terms and conditions of this Agreement, Buyer agrees to purchase from Nautilus, and Nautilus agrees to sell, transfer, convey, and deliver to Buyer, all of the Acquired Assets at the Closing for the consideration specified below in this Article 2.

2.2 Assumption of Assumed Liabilities. On and subject to the terms and conditions of this Agreement, Buyer agrees to assume and become responsible for all of the Assumed Liabilities at the Closing. Buyer will not assume or have any responsibility, however, with respect to any other obligation or liability of Nautilus not specifically identified as one of the Assumed Liabilities. Product liability for products distributed prior to Closing is expressly not included as Assumed Liabilities.

2.3 Purchase Price. As payment for the Acquired Assets, Buyer agrees to pay to Nautilus a cash purchase price (the "**Purchase Price**") determined in accordance with and payable as set forth in Schedule 2.3 attached hereto. In the event Buyer obtains a senior working capital line of credit providing financing for Buyer's conduct of the Business, Nautilus agrees to subordinate the security interest granted under the security agreement attached to Schedule 2.3 to the lien of such senior lender according to usual and customary terms; provided, that from the date of any such subordination the promissory note shall bear interest at the rate of 6% per annum.

2.4 The Closing. The closing of the transactions contemplated by this Agreement (the "**Closing**") shall take place on February 19, 2010 following the satisfaction or waiver of all conditions to the obligations of the Parties to consummate the transactions contemplated hereby (other than conditions with respect to actions the respective Parties will take at the Closing itself) or such other date as the Parties may mutually determine (the "**Closing Date**"). The Parties will not meet for the Closing. Instead, they will exchange signature pages to the various documents to be executed at the Closing by fax or email. Within five (5) business days after the Closing, the Parties will assemble and exchange complete copies of the documents signed at the Closing, together with original signature pages.

2.5 Deliveries at the Closing. At the Closing, (a) Nautilus will deliver to Buyer the various certificates, instruments, and documents referred to in Section 7.1 below; (b) Buyer will deliver to Nautilus the various certificates, instruments, and documents referred to in Section 7.2 below; (c) Nautilus will execute, acknowledge (if appropriate), and deliver to Buyer (i)

assignments in the forms attached hereto as Exhibit B and (ii) such other instruments of sale, transfer, conveyance, and assignment as Buyer and its counsel may reasonably request; (d) Buyer will execute, acknowledge (if appropriate), and deliver to Nautilus (i) an assumption in the form attached hereto as Exhibit C and (ii) such other instruments of assumption as Nautilus and its counsel may reasonably request; (e) Buyer will deliver to Nautilus the consideration specified in Section 2.3 above, including the Promissory Note and the Security Agreement described in Schedule 2.3; and (f) Nautilus and Buyer shall enter into the Lease Agreement and the License Agreement.

2.6 Allocation. The Parties agree to allocate the Purchase Price (and all other capitalizable costs) among the Acquired Assets for all purposes (including financial accounting and tax purposes) in accordance with the allocation schedule attached hereto as Exhibit D.

2.7 Accounts Payable Reconciliation. As soon as reasonably practicable after completion of the Physical Inventory Report, as defined in Schedule 2.3, but in any event no later than fifteen (15) days after the Closing Date, Nautilus and Buyer shall reconcile in good faith any accounts payable related to the Business under the following guidelines:

(i) Any accounts payable related to inventory included in the Physical Inventory Report shall be the responsibility of Nautilus, shall be a retained liability of Nautilus, and Nautilus shall indemnify and hold Buyer harmless from and against any and all such accounts payable.

(ii) Any accounts payable related to inventory not included in the Physical Inventory Report and to be delivered after completion of the Physical Inventory Report shall be assumed by Buyer as an Assumed Liability, and Buyer shall indemnify and hold Nautilus harmless from and against any and all such accounts payable.

2.8 Finished Goods Inventory. The Commercial Fitness Equipment finished goods inventory is not included in the Acquired Assets and ownership of such inventory shall be retained by Nautilus. Buyer agrees to warehouse, free of charge, the Commercial Fitness Equipment finished goods inventory on behalf Nautilus. Buyer further agrees to use commercially reasonable efforts to market and sell such inventory to Buyer's customers. Nautilus agrees to sell such inventory at the pricing set forth in Schedule 2.8, to Buyer for resale to Buyer's customers. Buyer shall pay Nautilus within 60 days from date of each individual shipment to Buyer's customers. Any Technology Goods listed on Schedule 2.8 that are not sold by Buyer as of September 29, 2010 shall be retained by Nautilus and removed from Buyer's warehouse at the expense of Nautilus no later than October 15, 2010. Any Finished Goods Inventory, other than Technology Goods, listed on Schedule 2.8 that are not sold by Buyer as of September 29, 2010 shall be sold to Buyer as of that date at the pricing set forth in Schedule 2.8, with payment being due on or before December 29, 2010.

ARTICLE 3 - NAUTILUS' REPRESENTATIONS AND WARRANTIES

Nautilus represents and warrants to Buyer that the statements contained in this Article 3 are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

BUYER:

MED-FIT SYSTEMS, INC.

By: _____
Signature
Print Name: _____
Title: _____

NAUTILUS:

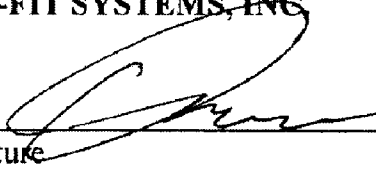
NAUTILUS, INC.

By: *Kenneth L. Fish*
Signature
Print Name: Kenneth L. Fish
Title: CFO

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

BUYER:

MED-FIT SYSTEMS, INC

By:  _____
Signature
Print Name: _____
Title: _____

NAUTILUS:

NAUTILUS, INC.

By: _____
Signature
Print Name: _____
Title: _____