

TRADEMARK ASSIGNMENT COVER SHEET

Electronic Version v1.1
Stylesheet Version v1.2

ETAS ID: TM301932

SUBMISSION TYPE:	NEW ASSIGNMENT		
NATURE OF CONVEYANCE:	SECURITY INTEREST		
CONVEYING PARTY DATA			
Name	Formerly	Execution Date	Entity Type
Innovative Laser Technologies, LLC		03/14/2014	LIMITED LIABILITY COMPANY: DELAWARE
RECEIVING PARTY DATA			
Name:	Minnesota Bank & Trust		
Street Address:	7701 France Avenue South		
Internal Address:	Suite 110		
City:	Edina		
State/Country:	MINNESOTA		
Postal Code:	55435		
Entity Type:	Banking Corporation: MINNESOTA		
PROPERTY NUMBERS Total: 2			
Property Type	Number	Word Mark	
Registration Number:	4299351	VERSASTC	
Registration Number:	3221190	ILT	
CORRESPONDENCE DATA			
Fax Number:	6123597602		
<i>Correspondence will be sent to the e-mail address first; if that is unsuccessful, it will be sent via US Mail.</i>			
Phone:	6123597645		
Email:	glipp@fwhtlaw.com		
Correspondent Name:	Glenda M. Lipp, c/o Fabyanske Law Firm		
Address Line 1:	333 South Seventh Street		
Address Line 2:	Suite 2600		
Address Line 4:	Minneapolis, MINNESOTA 55402		
NAME OF SUBMITTER:	Glenda M. Lipp		
SIGNATURE:	/Glenda M. Lipp/		
DATE SIGNED:	04/18/2014		
Total Attachments: 25			
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TRADEMARK

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NOTICE OF SECURITY INTEREST IN U.S. TRADEMARKS

United States Trademark Office:

Please be advised that pursuant to a Security Agreement dated as of March 13, 2014 (the "Security Agreement") by INNOVATIVE LASER TECHNOLOGIES, LLC, a Delaware limited liability company ("Grantor"), for the benefit of MINNESOTA BANK & TRUST ("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 together with the goodwill of the business with which such trademarks and trademark applications are associated:

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.

[Signature Page Follows]

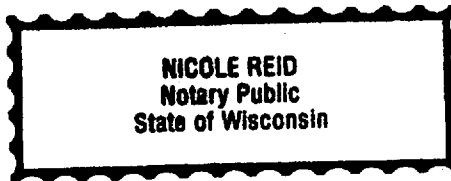
Very truly yours,

**INNOVATIVE LASER TECHNOLOGIES,
LLC, a Delaware limited liability company**

By: John Reithe
Its: Vice President

Subscribed and sworn to before me
this 13 day of March, 2014.

Nicole Reid
Notary Public



Signature page to Notice of Security Interest

TRADEMARK
REEL: 005263 FRAME: 0593

EXHIBIT A

TRADEMARKS AND TRADEMARK APPLICATIONS

PART I. TRADEMARKS

Trademark	Registration No.	Registration Date
VERSASTC	4299351	March 5, 2013
ILT	3221190	March 27, 2007

PART II. TRADEMARK APPLICATIONS

None.

SECURITY AGREEMENT
(Grantor)

This SECURITY AGREEMENT is made as of March 13, 2014 (the "Agreement"), by INNOVATIVE LASER TECHNOLOGIES, LLC, a Delaware limited liability company, with its chief executive office at 5110 Main Street Northeast, Suite 1400, Fridley, MN 55421 ("Grantor"), in favor of MINNESOTA BANK & TRUST, a Minnesota banking corporation, with an office at 7701 France Avenue South, Suite 110, Edina, MN 55435 ("Secured Party").

RECITALS:

A. Grantor has requested extensions of credit from Secured Party pursuant to the terms of that certain Letter Loan Agreement dated of even date herewith (the Letter Loan Agreement as it may be amended, modified, supplemented, increased or restated from time to time being the "Loan Agreement") between Grantor and Secured Party.

B. As a condition to such extensions of credit, Secured Party requires that Grantor grant a security interest in its assets in accordance with this Agreement.

C. Grantor has determined that the execution, delivery and performance of this Agreement are 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, it is agreed as follows:

ARTICLE I
DEFINITIONS

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

"Accounts" shall have the meaning provided in the UCC.

"Chattel Paper" shall have the meaning provided in the UCC 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, except the Excluded Property.

"Commercial Tort Claim" shall have the meaning provided in the UCC.

"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 Secured Party for any reason and all dividends and distributions on or other rights in connection with such property.

"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 the UCC), 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 the UCC and shall include, without limitation, any demand, time, savings, passbook or similar account maintained with a bank.

"Document" shall have the meaning provided in the UCC.

"Electronic Chattel Paper" shall have the meaning provided in the UCC.

"Equipment" shall have the meaning provided in the UCC.

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

"Excluded Property" shall mean (i) "intent-to-use" Trademarks (or Trademark Applications) to the extent that the grant of a security interest therein would impair the validity or enforceability of such intent-to-use Trademark (or Trademark Application) under applicable federal law, (ii) any permit, lease, license, contract, property rights or agreement to which a Grantor is a party or any of such Grantor's rights or interests thereunder, if, and for so long as and to the extent that, the grant of the Security Interest would constitute or result in (a) the abandonment, invalidation or unenforceability of any material right, title or interest of such Grantor therein or (b) a breach or termination pursuant to the terms of, or a default under, any such permit, lease, license, contract, property rights or agreement (other than to the extent that any such breach, termination or default would be rendered ineffective pursuant to Section 9-406, 9-407, 9-408 or 9-409 of the UCC (or any successor provision or provisions) of any relevant jurisdiction, any other applicable law or principles of equity), and (iii) any Deposit Account that is solely a payroll or benefits account so long as such payroll or benefits account is a zero balance account, and any deposit account which is solely a withholding tax or fiduciary account; provided, however, Excluded Property shall not include any proceeds, products, substitutions or replacements of Excluded Property (unless such proceeds, products, substitutions or replacements would otherwise constitute Excluded Property).

"Fixtures" shall have the meaning provided in the UCC.

"General Intangibles" shall have the meaning provided in the UCC and shall include, without limitation, all Payment Intangibles.

"Goods" shall have the meaning provided in the UCC and shall include, without limitation, embedded "Software" to the extent included in "Goods" as defined in the UCC.

“Grantor” shall have the meaning provided in the preamble hereto.

“Instruments” shall have the meaning provided in the UCC.

“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 have the meaning provided in the UCC.

“Investment Property” shall have the meaning provided in the UCC.

“Letter-of-Credit Rights” shall have the meaning provided in the UCC.

“Loan Agreement” shall have the meaning provided in the recitals hereto.

“Motor Vehicles” shall mean all vehicles for which the title to such vehicle is governed by a certificate of title or ownership.

“Payment Intangibles” shall have the meaning provided in the UCC.

“Proceeds” shall have the meaning provided in the UCC.

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

“Secured Party” shall have the meaning provided in the preamble hereto.

“Supporting Obligations” shall have the meaning provided in the UCC.

“Tangible Chattel Paper” shall have the meaning provided in the UCC.

“UCC” shall mean the Uniform Commercial Code as enacted in the State of Minnesota, as amended from time to time; provided, however, that: (a) to the extent that the UCC is used to define any term herein, and such term is defined differently in different Articles of the UCC, the definition of such term contained in Article 9 shall govern; and (b) if, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, the Secured Party’s security interest in any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of Minnesota, the term “UCC” shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection or priority of, or remedies with respect to, the Secured Party’s security interest and for purposes of definitions related to such provisions.

Other terms defined herein shall have the meanings ascribed to them herein. All capitalized terms used herein, not specifically defined herein, shall have the meaning ascribed to

them in the Loan Agreement.

ARTICLE II SECURITY INTERESTS

As security for the payment of all Obligations, Grantor hereby grants to Secured Party a security interest in all of Grantor's right, title and interest in and to the following, whether now owned or existing or hereafter acquired or arising:

- Accounts;
- Chattel Paper;
- Commercial Tort Claims, if any, described on Exhibit B attached hereto and incorporated herein by reference;
- 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 which has not been obtained; or (b) violate any provision of any material 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 Loan 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 Secured Party

except as provided in this Section 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 provided that Grantor receives as consideration for such sale an amount not less than the fair market value of the Inventory at the time of such sale; and (b) Equipment and Fixtures which in the judgment of Grantor have become obsolete or unusable in the ordinary course of business, provided, that, following the occurrence and during the continuance of an Event of Default, all net Proceeds of such sales of Equipment and Fixtures are (i) used to acquire replacement Equipment or Fixtures or (ii) delivered directly to Secured Party for application to the Obligations in such order as the Secured Party may elect.

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 Secured Party on the date of the delivery thereof to Secured Party.

3.5 Maintenance of Tangible Collateral. Grantor will maintain the tangible Collateral in good condition and repair (ordinary wear and tear excepted). 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 other than Inventory in transit or Equipment out for maintenance, repair or overhaul. Except as otherwise permitted hereunder or under the Loan Agreement, Grantor will not remove such Collateral from such locations unless, prior to any such removal, Grantor has given written notice to Secured Party of the location or locations to which Grantor desires to remove the Collateral, Secured Party has given its written consent to such removal, and Grantor has delivered to Secured Party acknowledgment copies of financing statements filed where appropriate to continue the perfection of Secured Party's security interest as a first priority security interest on such Collateral. Secured Party's security interest attaches to all of the Collateral wherever located and Grantor's failure to inform Secured Party of the location of any item or items of Collateral shall not impair Secured Party's security interest thereon.

3.6 Notation on Chattel Paper. For purposes of the security interest granted pursuant to this Agreement, Secured Party 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 Secured Party's request, Grantor will deliver to Secured Party 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. Secured Party may stamp any such Chattel Paper with a legend reflecting Secured Party'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 with the Secured Party. Grantor has granted to the Secured Party 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, Secured Party 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 interest rate specified in the Revolving Credit Note (the "Interest 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 Secured Party 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 Secured Party jointly. All such insurance shall contain an agreement by the insurer to provide Secured Party with 30 days' prior notice of cancellation and an agreement that the interest of Secured Party 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 are maintained by companies of similar size engaged in the same or similar businesses as Grantor. Grantor will deliver evidence of such insurance and the policies of insurance or copies thereof to Secured Party 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 Secured Party and its representatives to examine Grantor's books and records (including Data Processing Records and Systems) with respect to the Collateral in accordance with the terms of the Loan Agreement and will make extracts therefrom and copies thereof at any time and from time to time, and Grantor will furnish such information and reports to Secured Party and its representatives regarding the Collateral as Secured Party and its representatives may from time to time request. Grantor will, in any event, permit Secured Party and its representatives to

inspect the Collateral during normal business hours upon prior written notice by the Secured Party.

(b) Secured Party 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 Secured Party's security interest.

3.12 Notice of Default. As soon as commercially practicable, but in no event later than five (5) Business Days after becoming aware of any Event of Default, Grantor will give notice to Secured Party that such 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, and authorizes Secured Party to execute from time to time as Grantor's attorney-in-fact and/or file, such financing statements, assignments, and other documents covering the Collateral, including Proceeds, as Secured Party may 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 documented cost of filing the same in all public offices in which Secured Party may deem filing to be appropriate and will notify Secured Party promptly upon acquiring any additional Collateral that may require an additional filing. Upon request, Grantor will deliver to Secured Party all Grantor's Documents, Chattel Paper and Instruments constituting part of the Collateral.

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 Secured Party. 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 Secured Party, and without Secured Party's written consent to such change, and without delivering to Secured Party acknowledgment copies of financing statements filed where appropriate to continue the perfection of Secured Party'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 will not further change its legal name without 30 days' prior written notice to the Secured Party, and without Secured Party's written consent to such change, and without delivering to the Secured Party acknowledgment copies of financing statements filed where appropriate to continue the perfection of the Secured Party's security interest as a first priority security interest in the Collateral. 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 Secured Party promptly of Inventory 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 Secured Party, Grantor shall resell such Inventory for Secured Party and assign or deliver to Secured Party the resulting Accounts or other Proceeds. Grantor shall also advise Secured Party 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 Secured Party. After the occurrence and during the continuance of an Event of Default, Secured Party may at all times settle or adjust such disputes and claims directly with the customers for amounts and upon terms which Secured Party considers commercially reasonable. No discount, credit, allowance, adjustment or return shall be granted by Grantor to any customer without Secured Party's written consent other than discounts, credits, allowances, adjustments and returns made or granted by Grantor in the ordinary course of business prior to the occurrence and during the continuance of an Event of Default.

3.17 Power of Attorney. Grantor appoints Secured Party or any other person whom Secured Party may from time to time designate, as Grantor's attorney in fact, 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 Secured Party'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; (c) notify the post office authorities to change the address for delivery of Grantor's mail to an address designated by Secured Party; (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, Secured Party: (x) shall not exercise the powers granted pursuant to Section 3.17(c) or (d); (y) shall exercise the power granted by Section 3.17(e) through Secured Party's trade accounting firm name and not in any name identifying the verifying party as a bank, Secured Party or other financial institution and, at any time when no Event of Default has occurred and is continuing, only after giving prior notice to Grantor; and (z) shall exercise the powers granted by Section 3.17(a), (b) or (f) only upon Grantor's failure to take action requested by Secured Party within five (5) days after the Secured Party has requested that Grantor take the requested action. Grantor ratifies and approves all acts of the attorney taken within the scope of the authority granted. Neither Secured Party nor the attorney will be liable for any acts of commission or omission, or 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 Secured Party 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 Secured Party at any time to evidence, perfect, maintain, record and enforce Secured Party's interest in the Collateral comprised of patents (collectively the "Patents"), patent applications (collectively the "Patent Applications"), registered 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;

(b) Except to the extent that Secured Party 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 covered by the applicable registration 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; (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 Secured Party shall consent in writing, Grantor will not, unless Grantor shall reasonably determine that a Patent is not of material economic value to Grantor, 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 Secured Party 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 (other than the receipt of office actions) 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 Secured Party, and, upon request of Secured Party, shall promptly execute and deliver any and all agreements, instruments, documents and papers as Secured Party may reasonably request to evidence Secured Party's security interest in such Patent or Trademark and the goodwill and general intangibles of Grantor relating thereto or represented thereby;

(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 necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each Patent Application and Trademark Application (and to obtain the relevant registration) and to maintain each registration of the Patents and Trademarks, 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 Secured Party if Grantor has knowledge that any Patent or Trademark is infringed, misappropriated or diluted by a third party and either shall promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, or take such other actions 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 Secured Party 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 Secured Party at any time to evidence, perfect, maintain, record and enforce Secured Party's interest in the Collateral comprised of registered copyrights or copyright applications (collectively the "Copyrights") or otherwise in furtherance of the provisions of this Agreement;

(b) Except to the extent that the Secured Party 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 Secured Party immediately

if it knows, or has reason to know, of any reason that any application or registration relating to 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 Secured Party, and, upon request of Secured Party, execute and deliver any and all agreements, instruments, documents and papers as Secured Party may request to evidence Secured Party's security interest in such Copyright and the Works relating thereto or represented thereby;

(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, in any proceeding 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 Grantor has knowledge that any Copyright is infringed by a third party, Grantor shall promptly notify Secured Party and shall, unless Grantor shall reasonably determine that such Copyright is not of material economic value to Grantor, promptly sue to recover any and all damages or take such other 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 Secured Party in obtaining control with respect to Collateral consisting of Deposit Accounts, Investment Property, Letter-of-Credit Rights, and Electronic Chattel Paper. Without limiting the foregoing, if Grantor becomes a beneficiary of a letter of credit in excess of \$25,000, then Grantor shall promptly notify the Secured Party thereof and, if then requested by Secured Party, enter into a tri-party agreement with the Secured Party and the issuer and/or confirmation bank with respect to such letter of credit assigning the Letter-of-Credit Rights to the Secured Party and directing all payments thereunder to the Secured Party, all in form and substance reasonably satisfactory to the Secured Party.

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

3.22 Commercial Tort Claims. Grantor shall promptly notify the Secured Party of any Commercial Tort Claim in excess of \$25,000 acquired by it and, unless otherwise consented to by the Secured Party, Grantor shall promptly enter into a supplement to this Agreement granting to the Secured Party a security interest in such Commercial Tort Claim.

3.23 Motor Vehicles.

(a) Grantor shall maintain all vehicle titles at its chief executive office.

(b) Grantor shall promptly, but in any event no later than 10 days after the Secured Party's written request (the date on which the Grantor receives such request being the "Titles Request Date"), deliver to the Secured Party originals of the certificates of title or ownership for the Motor Vehicles owned by it together with appropriate grant forms executed in favor of the Secured Party.

(c) Upon the acquisition after the Titles Request Date by Grantor of any Motor Vehicle, Grantor shall deliver to the Secured Party originals of the certificates of title or ownership for such Motor Vehicle, together with the manufacturer's statement of origin, with the Secured Party listed as lienholder; provided that, the Secured Party shall not be required to be the lienholder if the Motor Vehicle to be acquired is subject to a purchase money security interest permitted by Section 8(b) of the Loan Agreement.

(d) Grantor hereby appoints the Secured Party as its attorney-in-fact, effective upon the occurrence and during the continuance of an Event of Default and until the termination of this Agreement, for the purpose of (i) executing on behalf of Grantor title or ownership applications for filing with appropriate state agencies to enable Motor Vehicles now owned or hereafter acquired by Grantor to be retitled and the Secured Party listed as lienholder thereof, (ii) filing such applications with such state agencies, and (iii) executing such other documents and instruments on behalf of, and taking such other action in the name of, Grantor as the Secured Party may deem necessary or advisable to accomplish the purposes hereof (including, without limitation, for the purpose of creating in favor of the Secured Party a perfected Lien on the Motor Vehicles and exercising the rights and remedies of the Secured Party hereunder). This appointment as attorney-in-fact is coupled with an interest and is irrevocable until all of the Obligations are paid in full after the termination of the Loan Agreement and the other Loan Documents.

(e) Any certificates of title or ownership delivered pursuant to the terms hereof shall be accompanied by odometer statements for each Motor Vehicle covered thereby.

(f) So long as no Event of Default shall have occurred and be continuing, upon the request of Grantor, the Secured Party shall execute and deliver to Grantor such instruments as Grantor shall reasonably request to remove the notation of the Secured Party as lienholder on any certificate of title for any Motor Vehicle; provided that any such instruments shall be delivered, and the release effective, only upon receipt by the

Secured Party of a certificate from Grantor, stating that the Motor Vehicle, the Lien on which is to be released, is to be sold or has suffered a casualty loss (with title thereto passing to the casualty insurance company therefor in settlement of the claim for such loss), the amount that Grantor will receive as sale Proceeds or insurance Proceeds, and any Proceeds of such sale or casualty loss shall, following the occurrence and during the continuance of an Event of Default, be paid to the Secured Party hereunder to be applied to the Obligations then outstanding.

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 Secured Party's direction given after the occurrence and during the continuance of an Event of Default, shall take) such action as Grantor or Secured Party may deem necessary or advisable to enforce collection of the Accounts and such other Collateral; provided, however, that Secured Party shall have the right at any time following the occurrence and during the continuance of an Event of Default, without giving written notice to Grantor of Secured Party'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 Secured Party and to direct such account debtors or obligors to make payment of all amounts due or to become due to Grantor thereunder directly to Secured Party 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 Secured Party does so or gives Grantor other instructions, Grantor shall make all collections for Secured Party. In addition to its rights under the preceding sentence to this Section, Secured Party, at any time following the occurrence of an 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 Secured Party. All payments received in the Lockbox shall be transferred to a special bank account (the "Collateral Account") maintained for the benefit of Secured Party subject to withdrawal by Secured Party only. After the Secured Party's exercise of its right (following the occurrence and during the continuance of an Event of Default) to direct account debtors or other obligors on any Collateral to make payments directly to Secured Party or to require Grantor to establish a Lockbox, Grantor shall immediately deliver all full and partial payments on any Collateral received by Grantor to Secured Party in their original form, except for endorsements where necessary. Secured Party, 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 Secured Party may elect; provided, however, that after an Event of Default has occurred and during its continuance, Secured Party shall apply all collections in accordance with Section 7.7. Until such payments are so delivered to Secured Party, such payments shall be held in trust by Grantor for and as Secured Party'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 Secured Party, 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 \$75,000.00 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 \$75,000.00, Secured Party 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 Secured Party and Secured Party, at its sole discretion and regardless of whether Secured Party exercises its right to collect Insurance Proceeds under this Section, may apply any Insurance Proceeds to the payment of the Obligations, whether due or not, in such order and manner as Secured Party 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 Loan 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 Secured Party or waived in writing by Secured Party, and in addition to the rights granted to Secured Party under Articles IV and V hereof, Secured Party 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 Secured Party, whether or not then due, against any indebtedness then owed by Grantor to Secured Party 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 Secured Party 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. Secured Party may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral. Secured Party may sell the Collateral without giving any warranties as to the Collateral. Secured Party may specifically disclaim any warranties of title or the like. This procedure will not be considered adversely to 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 Secured Party, to permit or enable Secured Party 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 Secured Party may deem necessary or appropriate for said purposes without the payment of any compensation to Grantor therefor. Grantor shall provide Secured Party with all information and assistance requested by Secured Party 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 Loan Agreement and, in connection therewith, Secured Party may require Grantor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party, 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 Secured Party's records at least 10 days before the date of such disposition.

7.7 Application of Proceeds. All Proceeds of Collateral shall be applied in accordance with the UCC, and such Proceeds applied toward the Obligations shall be applied in such order as Secured Party may elect.

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

- (a) Secured Party 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 Secured Party shall in its sole discretion determine;

(b) Secured Party 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 Secured Party from, and agrees to hold Secured Party 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 Secured Party under or in respect of any Patent or Trademark (whether from Grantor or otherwise), or received by Secured Party by virtue of the exercise of the license granted to Secured Party by subsection (g) below, shall be applied to the Obligations in accordance with Section 7.7 hereof;

(d) Secured Party 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, Secured Party 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 Secured Party 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 Secured Party to exercise rights and remedies under this Agreement at such time as Secured Party shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, Grantor hereby grants to Secured Party, 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) Secured Party 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 Secured Party shall in its sole discretion determine;

(b) Secured Party 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 Copyright and take or refrain from taking any action under any such license or other agreement and Grantor hereby releases Secured Party from, and agrees to hold Secured Party 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 Secured Party under or in respect of any Copyright (whether from Grantor or otherwise), or received by Secured Party by virtue of the exercise of the license granted to Secured Party by subsection (f) below, shall be applied to the Obligations in accordance with Section 7.7;

(d) Secured Party may exercise in respect of the Copyrights, 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 Copyrights pursuant to this Section 7.9, Secured Party may, at any time, execute and deliver on behalf of Grantor one or more instruments of assignment of the Copyrights (or any application or registration thereof), in form suitable for filing, recording or registration in the Copyright Office or any country where the relevant Copyright is of material economic value to Grantor. Grantor agrees to pay when due all reasonable costs incurred in any such transfer of the Copyrights, including any taxes, fees and reasonable attorneys' fees; and

(f) For the purpose of enabling Secured Party to exercise rights and remedies under this Agreement at such time as Secured Party shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, Grantor hereby grants to Secured Party an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to Grantor) to use, license or sublicense any Copyright, 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.

**ARTICLE VIII
MISCELLANEOUS**

8.1 No Liability on Collateral. It is understood that Secured Party does not in any way assume any of Grantor's obligations under any of the Collateral. Grantor hereby agrees to indemnify Secured Party against all liability arising in connection with or on account of any of the Collateral, except for any such liabilities arising on account of Secured Party's negligence or willful misconduct.

8.2 No Waiver. Secured Party shall not be deemed to have waived any of its rights hereunder or under any other agreement, instrument or paper signed by Grantor unless such waiver is in writing and signed by Secured Party. No delay or omission on the part of Secured Party in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion.

8.3 Remedies Cumulative. All rights and remedies of Secured Party shall be cumulative and may be exercised singularly or concurrently, at their option, and the exercise or enforcement of any one such right or remedy shall not bar or be a condition to the exercise or enforcement of any other.

8.4 Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, interpreted and construed in accordance with the internal laws, but not the law of conflicts, of the State of Minnesota, except to the extent that the perfection of the security interest hereunder, or the enforcement of any remedies hereunder, with respect to any particular Collateral shall be governed by the laws of a jurisdiction other than the State of Minnesota.

8.5 Expenses. Grantor agrees to pay the reasonable attorneys' fees and legal expenses incurred by Secured Party in the exercise of any right or remedy available to it under this Agreement, whether or not suit is commenced, including, without limitation, attorneys' fees and legal expenses incurred in connection with any appeal of a lower court's order or judgment.

8.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Grantor and Secured Party.

8.7 Recitals. The above Recitals are true and correct as of the date hereof and constitute a part of this Agreement.

8.8 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

8.9 No Obligation to Pursue Others. Secured Party has no obligation to attempt to satisfy the Obligations by collecting them from any other person liable for them and Secured Party may release, modify or waive any Collateral provided by any other person to secure any of the Obligations, all without affecting Secured Party's rights against Grantor. Grantor waives any right it may have to require Secured Party to pursue any third person for any of the Obligations.

8.10 Reinstatement. This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against Grantor or any other Loan Party for liquidation or reorganization, should Grantor or any other Loan Party become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of Grantor's or any Loan Party's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Obligations, whether as a "voidable preference", "fraudulent conveyance", or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

8.11 Waiver of Jury Trial. GRANTOR HEREBY EXPRESSLY WAIVE(S) ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS (a) UNDER THIS AGREEMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH, OR (b) ARISING FROM ANY RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT, AND AGREE(S) THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

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

**INNOVATIVE LASER TECHNOLOGIES, LLC, a
Delaware limited liability company**

By: John Reiche
Its: Vice President

[Signature Page to Security Agreement]

EXHIBIT A

I. Financing Statements on File Listing Grantor or Any Predecessor in Title as Debtor

See Schedule 8(a) to the Loan Agreement which is incorporated herein by reference.

II. Location of Inventory

Fridley Interstate Distribution Center II, 5110 Main Street NE, Fridley, Minnesota 55421

III. Prior Names within the last five years.

Innovative Laser Technologies, Inc.

EXHIBIT B

COMMERCIAL TORT CLAIMS

None.