

07-08-2003

FORM PTO-1595
(Rev. 03/01)

RECORDATION



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

OMB No. 0651-0011 (exp. 5/31/2002)

PATENT

102490734

7-3-03

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

OFFICE OF PUBLIC RECORDS
FINANCE SECTION
2003 JUL -3 PM 4:07

1. Name of conveying party(ies):
Mendota Healthcare, Inc.
Additional name(s) of conveying party(ies) attached? Yes No

2. Name and address of receiving party(ies)
Name: **Dr. Robert Van Tassel**
Internal Address:

3. Nature of conveyance:
 Assignment Merger
 Security Agreement Change of Name
 Other _____
Execution Date(s): **June 24, 2003**

Street Address: **6420 Bayview Place**
City: **Excelsior** State: **MN** ZIP: **55121**

4. Application number(s) or patent number(s):
If this document is being filed together with a new application, the execution date of the application is:
A. Patent Application No(s):
10/328,492
10/328,420
10/229,923

Additional name(s) of receiving party(ies) attached? Yes No
B. Patent No(s):
6,529,801

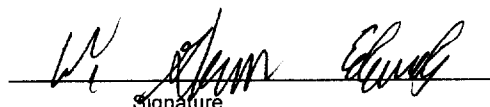
5. Name and address of party to whom correspondence concerning document should be mailed:
Name: **W. Glenn Edwards**
Internal Address: **3300 Plaza VII Building**
Street Address: **45 South Seventh Street**
City: **Minneapolis** State: **MN** ZIP: **55402**
Our File No.: **20220-1**

6. Total number of applications and patents involved: **4**
7. Total Fee (37 CFR 3.41).....\$160.00.
 Enclosed
 Authorized to be charged to deposit account
 Authorized to charge any underpayment or credit any overpayment to deposit account.

8. Deposit account number:
50-1901
(Attach duplicate copy of this page if paying by deposit account.)

DO NOT USE THIS SPACE

9. Statement and signature.
To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

W. Glenn Edwards, Reg. No. 44,426
Name of Person Signing  Signature **6/27/03** Date

Total number of pages including cover sheet, attachments, and document: **12**

Mail documents to be recorded with required cover sheet information to:
Mail Stop Assignment, Recordation Services
Commissioner of Patents
P.O. Box 1450
Alexandria, VA 22313-1450

07/07/2003 GT0M11 00000157 501901 10328492
01 FC:8021 40.00 DA

TC2: 635853 v01 06/27/2003
PATENT
REEL: 014227 FRAME: 0878

Additional Receiving Parties

Jack W. Pagel
2940 Gale Road
Wayzata, MN 55391

**GRANT OF SECURITY INTEREST IN
PATENTS, TRADEMARKS AND LICENSES**

THIS GRANT OF SECURITY INTEREST IN PATENTS, TRADEMARKS AND LICENSES (the "Agreement") is made as of this 24th day of June 2003, by **MENDOTA HEALTHCARE, INC.**, a Minnesota corporation, with its principal place of business at 5620 Smetana Drive, Suite 300, Minnetonka, MN 55343 (the "Company"), in favor of **Dr. Robert Van Tassel and Jack Pagel**, both individuals, as agents (collectively, the "Agents"), for the benefit of all the lenders who purchased those certain Secured Convertible Promissory Notes issued by the Company, dated of even date herewith (the "Lenders").

W I T N E S E T H:

WHEREAS, the Company intends to issue to the Lenders and the Lenders intend to purchase from the Company those certain Secured Convertible Promissory Notes, dated of even date herewith, in the aggregate principal amount of \$1,200,000.00, as the same may be amended, supplemented or restated from time to time (the "Secured Notes"), which Secured Notes (i) provide for the Lenders to make certain loans for the account of the Company and (ii) require the Company to grant the Agents, for the benefit of the Lenders, a security interest in all of the Company's assets pursuant to the terms of (x) that certain Security Agreement, dated even herewith, by and among the Company and the Agents (the "General Security Agreement") and (y) this Agreement;

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

1. Grant of Security Interest. As security for the payment of each and every debt, liability, and obligation of every type and description which the Company may now or at any time owe to the Lenders pursuant to the terms of the Secured Notes (the "Obligations"), the Company hereby grants to the Agents, for the benefit of the Lenders, a security interest, effective immediately, in all of the Company's right, title and interest in and to all of the following described property, whether now owned or hereafter acquired (collectively herein the "Intellectual Property Collateral"):
 - (i) Patents and patent applications and/or registrations together with the inventions and improvements described and claimed therein including, without limitation, the patents and applications, if any, listed on Schedule A, attached hereto and made a part hereof, and any and all reissues and renewals thereof and all income, royalties, damages and payments now and hereafter due and/or payable in connection therewith including, without limitation, damages and payments for past or future infringements thereof (all of the foregoing are sometimes hereinafter individually and/or collectively referred to as the "Patent Collateral");
 - (ii) Trademarks, service marks, trademark registrations and/or applications, service mark registrations and/or applications and tradenames including, without limitation, the trademarks, service marks and applications, if any, listed on Schedule B attached hereto and made a part hereof, and any and all reissues and/or renewals thereof, and

all income, royalties, damages and payments now and hereafter due and/or payable in connection therewith including, without limitation, damages and payments for past or future infringements thereof (all of the foregoing are sometimes hereinafter individually and/or collectively referred to as the "Trademark Collateral");

- (iii) Any license agreement in which the Company is or becomes licensed to use any patents and/or trademarks owned by a third party including, without limitation, the licenses, if any, listed on Schedule C attached hereto and made a part hereof (all of the foregoing are sometimes referred to herein individually and/or collectively as the "License Collateral");
- (iv) The goodwill of the Company's business connected with and symbolized by the Intellectual Property Collateral; and
- (v) All cash and non-cash proceeds of the foregoing.

3. The Agents' Rights. Upon the occurrence of any Event of Default hereunder, the Agents may exercise any one or more of the rights and remedies stated in this Agreement; provided, however, that the Agents shall have no right to exercise any remedial actions with regard to the Intellectual Property Collateral, whether pursuant to this Agreement or applicable law, unless the Agents have obtained the prior written consent of the holders of at least eighty percent (80%) of the then outstanding principal amount of all Secured Notes issued on the date hereof. The Agents shall have all the rights and remedies of a secured party under the Uniform Commercial Code and any other applicable state or federal laws. The Agents will give the Company reasonable notice of the time and place of any public sale of the Intellectual Property Collateral or the time after which any private sale of the Intellectual Property Collateral or any other intended disposition thereof is to be made. Unless otherwise provided by law, the requirement of reasonable notice shall be met if such notice is mailed, postage prepaid to the address of the Company set forth above (or such other address as the Company has given the Agents) at least ten (10) days before the date of such sale or disposition. In addition to the foregoing and all other rights and remedies of the Lenders upon the occurrence of any Event of Default hereunder, the Agents shall thereupon have the immediate right to transfer to itself or to sell, assign and transfer to any other person all right, title and interest in and to all or any part of the Intellectual Property Collateral. The Company agrees that, in the event the Agents exercise their rights hereunder after written notification of such exercise from the Agents to the Company, the Company shall never thereafter, without the prior written authorization of the owner or owners of such Intellectual Property Collateral, use any of such Intellectual Property Collateral. The condition of the foregoing provision is such that unless and until there occurs an Event of Default under this Agreement, the Company shall continue to own and use the Intellectual Property Collateral in the normal course of its business and to enjoy the benefits, royalties and profits therefrom provided, however, that from and after the occurrence of an Event of Default such right will, upon the exercise by the Agents of the rights provided by this Agreement, be revoked and the right of the Company to enjoy the uses, benefits, royalties and profits of said Intellectual Property Collateral will wholly cease, whereupon the Agents or its transferee(s) shall be entitled to all of the Company's right, title and interest in and to the Intellectual Property Collateral hereby so assigned. This Agreement will not operate to place upon the Agents any duty or responsibility to maintain the Intellectual Property Collateral.

4. Fees. The Company will pay all filing fees with respect to the security interest created hereby which the Agents may deem necessary or advisable in order to perfect and maintain the perfection of its security interest in the Intellectual Property Collateral.
5. Representations and Warranties. The Company represents and warrants that (i) the Company lawfully possesses and owns the Intellectual Property Collateral and that except for (x) the security interest granted hereby, (y) the security interest granted to Dr. Ken Rosenblum ("Dr. Rosenblum") pursuant to that certain Security Agreement, dated April 30, 2001, made by the Company in favor of Dr. Rosenblum, and (z) the security interest that may be granted to McKesson Corporation pursuant to a Security Agreement to be executed subsequent to the purchase of the Secured Notes by the Lenders, the Intellectual Property Collateral will be kept free from all liens, security interests, claims and encumbrances whatsoever; (ii) except as provided for in this Section 5, the Company has not made or given any prior assignment, transfer or security interest in the Intellectual Property Collateral or any of the proceeds thereof; (iii) the Intellectual Property Collateral is and will continue to be, in all respects, in full force and effect; and (iv) there are no known infringements of the Intellectual Property Collateral.
6. Application of Proceeds. The proceeds of any sale, transfer or disposition of the Intellectual Property Collateral shall be applied first to all costs and expenses, including, but not limited to, reasonable attorneys' fees and expenses and court costs, incurred by the Agents in connection with such sale and the exercise of the Agents' rights and remedies hereunder, under the Secured Notes, and under the General Security Agreement; next, such proceeds shall be applied to the payment, in whole or in part, of the Obligations due the Lenders in an amount prorated among the Secured Notes in proportion to the outstanding principal balances of each of the Secured Notes; and the balance, if any, shall be paid to the Company or as a court of competent jurisdiction may direct.
7. Defense of Claims. The Company will defend at its own cost and expense any action, claim or proceeding affecting the Intellectual Property Collateral or the interest of the Agents therein. The Company agrees to reimburse the Agents for all costs and expenses incurred by the Agents in defending any such action, claim or proceeding.
8. Rights Cumulative. This Agreement shall be in addition to the General Security Agreement and shall not be deemed to affect, modify or limit the General Security Agreement or the Secured Notes nor any rights that the Agents has under the General Security Agreement. The Company agrees to execute and deliver to the Agents (at the Company's expense) any further documentation or papers necessary to carry out the intent or purpose of this Agreement including, but not limited to, financing statements under the Uniform Commercial Code, and amendments to this Agreement to evidence the grant of the security interest in Intellectual Property Collateral hereafter obtained by the Company.
9. Construction and Invalidity. Any provisions hereof contrary to, prohibited by or invalid under any laws or regulations shall be inapplicable and deemed omitted herefrom, but shall not invalidate the remaining provisions hereof.
10. **CHOICE OF LAW.** THE COMPANY AGREES THAT THE VALIDITY, INTERPRETATION AND ENFORCEMENT OF THIS AGREEMENT AND ALL RIGHTS HEREUNDER SHALL BE GOVERNED BY THE INTERNAL LAWS OF

THE STATE OF MINNESOTA. THIS AGREEMENT TOGETHER WITH THE GENERAL SECURITY AGREEMENT AND THE SECURED NOTES CONSTITUTE THE ENTIRE AGREEMENT OF THE COMPANY AND THE AGENTS WITH RESPECT TO THE INTELLECTUAL PROPERTY COLLATERAL, CAN ONLY BE CHANGED OR MODIFIED IN WRITING AND SHALL BIND AND BENEFIT THE COMPANY, THE LENDERS AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS. THE COMPANY AND THE AGENTS EACH HEREBY EXPRESSLY WAIVES ANY RIGHT OF TRIAL BY JURY ON ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING HEREUNDER.

11. Events of Default. Any of the following constitutes an Event of Default under this Agreement:
- (i) The Company fails to perform or observe any agreement, covenant or condition required under this Agreement;
 - (ii) Any warranty or representation made by Company, in this Agreement shall be or becomes false or misleading in any material respect;
 - (iii) The occurrence of any Event of Default under the Secured Notes which is not waived in writing by the Agents; or
 - (iv) The occurrence of any Event of Default under the General Security Agreement which is not waived in writing by the Agents.
12. Notices. The Company covenants and agrees that, with respect to the Intellectual Property Collateral, it will give the Agents written notice of:
- (i) any claim by a third party that the Company has infringed on the rights of a third party;
 - (ii) any suspected infringement by a third party on the rights of the Company; or
 - (iii) any Intellectual Property Collateral created, arising or acquired by the Company after the date hereof.
13. Further Assurances. The Company will take any such action as the Agents may reasonably require to further confirm or protect the Agents' rights under this Agreement in the Intellectual Property Collateral.
14. Termination. This Agreement shall terminate upon (a) the payment in full or other satisfaction of the Secured Notes by the Company, or (b) the conversion of the Secured Notes into fully paid and nonassessable shares of capital stock of the Company pursuant to Section 6 of the Secured Notes. Upon the Company's request, the Agents shall promptly after any such termination execute and deliver to the Company (at the Company's expense) such documents and instruments as are necessary to evidence such termination and release of the security interest granted herein on any applicable public record.

IN WITNESS WHEREOF, the parties hereto have duly executed this Grant of Security Interest in Patents, Trademarks and Licenses as of the date first set forth above.

MENDOTA HEALTHCARE, INC.,
(the "Company")

By: 

Name: KEN ROSENBLUM

Title: CEO

Acknowledged and Accepted by the AGENTS:

Dr. Robert Van Tassel

Jack Pagel

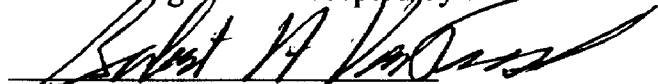
[SIGNATURE PAGE TO GRANT OF SECURITY INTEREST IN PATENTS,
TRADEMARKS, AND LICENSES]

IN WITNESS WHEREOF, the parties hereto have duly executed this Grant of Security Interest in Patents, Trademarks and Licenses as of the date first set forth above.

MENDOTA HEALTHCARE, INC.,
(the "Company")

By: _____
Name:
Title:

Acknowledged and Accepted by the AGENTS:



Dr. Robert Van Tassel

Jack Pagel

**[SIGNATURE PAGE TO GRANT OF SECURITY INTEREST IN PATENTS,
TRADEMARKS, AND LICENSES]**

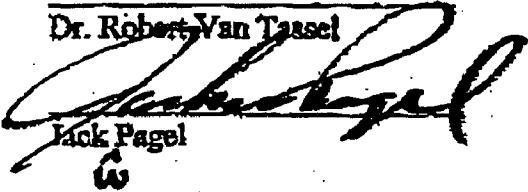
IN WITNESS WHEREOF, the parties hereto have duly executed this Grant of Security Interest in Patents, Trademarks and Licenses as of the date first set forth above.

MENDOTA HEALTHCARE, INC.,
(the "Company")

By: _____
Name:
Title:

Acknowledged and Accepted by the AGENTS:

Dr. Robert Van Tassel



Jack Pagel

**[SIGNATURE PAGE TO GRANT OF SECURITY INTEREST IN PATENTS,
TRADEMARKS, AND LICENSES]**

1395105 v01 06/20/2003

PATENT
REEL: 014227 FRAME: 0886

**SCHEDULE B TO GRANT OF SECURITY INTEREST IN PATENTS,
TRADEMARKS AND LICENSES**

between

MENDOTA HEALTHCARE, INC.

and

DR. ROBERT VAN TASSEL AND JACK PAGEL, AS AGENTS

U.S. TRADEMARKS

Trademark/ Service Mark	Goods/Services	Status	Serial No./ Filing Date
InstyMeds		Pending	78/018098 on 07/24/00

**SCHEDULE C TO GRANT OF SECURITY INTEREST IN PATENTS,
TRADEMARKS AND LICENSES
between
MENDOTA HEALTHCARE, INC.
and
DR. ROBERT VAN TASSEL AND JACK PAGEL, AS AGENTS**

U.S. LICENSES

<u>Name</u>	<u>Registration No.</u>	<u>Registration Date</u>
-------------	-------------------------	--------------------------

NONE.