SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 13D
Under the Securities Exchange Act of 1934
(Amendment No.)*

Micro Therapeutics, Inc.

(Name of Issuer)

Common Stock, par value $0.001 per share

(Title of Class of Securities)

59500W100

(CUSIP Number)

Jose M. de Lasa, 100 Abbott Park Road
Abbott Park, Illinois 60064-3500; Phone 847 937 8905

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

August 19, 1998

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Section Section 240.13d-1(e), 240.13d-1(f) or 240.13(d)-1(g), check the following box [_].

NOTE: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Section 240.13d-7(b) for other parties to whom copies should be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 59500W100

1)	NAME OF REPORTING PERSON I.R.S. IDENTIFICATION NO. OF ABOVE PERSON	
	Abbott Laboratories IRS Identification No. 36-0698440	
2)	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP	(a) [ ] (b) [ ]
3)	SEC USE ONLY	
4)	SOURCE OF FUNDS	
	OO (see Item 3 below)	
5)	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)	[ ]
6)	CITIZENSHIP OR PLACE OF ORGANIZATION	
	Illinois	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	(7) SOLE VOTING POWER 384,615	
	(8) SHARED VOTING POWER 0	
	(9) SOLE DISPOSITIVE POWER 384,615	
	(10) SHARED DISPOSITIVE POWER 0	
11)	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON	
	384,615	
12)	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)	[ ]
13)	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)	
	9.7% (see Item 5 below)	
14)	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)	
	CO	

ITEM 1. SECURITY AND ISSUER

This statement relates to shares of the common stock, par value $0.001 per share (the "Common Stock"), of Micro Therapeutics, Inc., a Delaware corporation (the "Issuer"), whose principal executive offices are located at 1062-F Calle Negocio, San Clemente, California 92673.

ITEM 2. IDENTITY AND BACKGROUND

(a) - (c), and (f) The person filing this statement is Abbott Laboratories ("Abbott"), an Illinois corporation. Abbott's principal business is the discovery, development, manufacture, and sale of a broad and diversified line of health care products and services. Abbott's principal office is located at 100 Abbott Park Road, Abbott Park, Illinois 60064-3500.

The names, citizenship, business addresses, present principal occupation or employment and the name, and the principal business and address of any corporation or other organization in which such employment is conducted of the directors and executive officers of Abbott are as set forth in Exhibit 1 hereto and incorporated herein by this reference.

(d) and (e) Neither Abbott, nor to the best of its knowledge, any person listed on Exhibit 1 has during the last five years (i) been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION

The aggregate amount of the loan which is the subject of the Convertible Subordinated Note Agreement, dated as of August 12, 1998, between the Issuer and Abbott (the "Note Agreement") is $5,000,000 (the "Loan"). See Item 6 below. The source of the funds required to advance the Loan is the general assets of Abbott.

ITEM 4. PURPOSE OF THE ACQUISITION

The purpose of the transaction is for investment and to establish a long term distribution alliance between Abbott and the Issuer.

(b) Abbott may convert the Note which evidences the Loan into Common Stock of the Issuer (the "Common Stock") at any time within a five year period. Abbott does not have any present intention to exercise its conversion right immediately. If Abbott were to exercise its conversion right immediately, Abbott would own approximately 384,615 Shares (the "Shares") of

Common Stock of the Issuer. See Item 6 below.

(a) - (j) At present, Abbott does not have any plans or proposals which would relate to or result in transactions of the kind described in paragraphs (a) through (j) of Item 4 of Schedule 13D of the Securities and Exchange Commission. Abbott does, however, reserve the right to adopt such plans or proposals subject to compliance with applicable regulatory requirements.

ITEM 5. INTEREST IN SECURITIES OF THE ISSUER

(a) Abbott may be deemed to be the beneficial owner of the Shares. Upon issuance, if Abbott were to exercise its conversion right immediately, the Shares would represent approximately 9.7% of the outstanding shares of the Common Stock.

(b) Abbott will have sole power to vote or to direct the vote and the sole power to dispose or to direct the disposition of the Shares.

(c) Except as described herein, there have been no transactions by Abbott or the persons whose names are listed on Exhibit 1 in securities of the Issuer during the past sixty days.

(d) No one other than Abbott is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds form a sale of the Shares.

(e) Not applicable.

ITEM 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER

The summaries of certain terms of the following agreements do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all provisions of the agreements and reference is made to the full text of such agreements which are filed as exhibits to this Statement and are incorporated herein by reference.

A. CONVERTIBLE SUBORDINATED NOTE AGREEMENT

Under the terms of the Note Agreement, Abbott is obligated to lend to the Issuer $5,000,000. The loan is evidenced by a 5% Convertible Subordinated Note, dated August 19, 1998 (the "Note"). The Note bears a 5% per annum interest rate payable quarterly over a five year period.

Abbott may convert the Note at any time during the five year period into Common Stock

of the Issuer at an initial conversion price which is subject to adjustment. The conversion price may be adjusted from time to time upon the occurrence of certain events including, among other things, issuance by the Issuer of rights, options or warrants to all holders of its Common Stock under certain conditions, and the payment or making of certain distributions on the Common Stock.

The Issuer is obligated to reserve and keep available out of its authorized but unissued Common Stock, the full number of Shares of Common Stock then issuable upon the conversion of the Note or the Credit Facility Note (as such term is defined in the Credit Agreement).

The Note is not subject to redemption or prepayment. If certain events of default occur, the then holder of the Note may declare the entire principal and unpaid accrued interest on the Note immediately due and payable so long as certain conditions exist and certain notice requirements are met.

The indebtedness evidenced by the Note is expressly subordinated to certain senior indebtedness, except as otherwise provided in the security agreement, dated August 12, 1998, between the Issuer and Abbott (the "Security Agreement"). Such senior indebtedness include principal and unpaid accrued interest on the Issuer's indebtedness to certain banks, insurance companies or other financial institutions.

Where the Issuer proposes to issue or sell New Securities (as such term is defined in the Note Agreement) to any person, Abbott has a right of first offer to purchase a pro rata share of the New Securities that the Issuer may from time to time propose to sell and issue. Abbott has 20 days to exercise the right after it receives due notice.

The Note Agreement also sets forth the desire of the Issuer and Abbott to enter into (i) an Exclusive Distribution Agreement and (ii) a Credit Agreement. It also evidences the intention of the Issuer to grant to Abbott a security interest in intellectual property relating to the Issuer's peripheral blood clot infusion products pursuant to the Security Agreement.

B. EXCLUSIVE DISTRIBUTION AGREEMENT

The Exclusive Distribution Agreement, is effective August 12, 1998 (the "Distribution Agreement") and continues for the remainder of the 1998 calendar year and for 10 full calendar years thereafter, unless terminated. The initial term may be extended.

Under the terms of the Distribution Agreement, Abbott will act as an exclusive independent distributor of certain peripheral thrombolytic products of the Issuer as well as the Issuer's devices or technology developed or otherwise acquired by the Issuer after the effective date of the Distribution Agreement, including improvements, enhancements or line extensions to the products. Abbott will act as such distributor within the United States (including, but not limited to Puerto Rico) as well as Canada (the "Territory"). The Territory may be expanded by

mutual agreement of the parties.

Abbott has an exclusive right of first discussion if the Issuer elects to consider and/or pursue discussions with third parties on potential commercial collaborations in the Territory for potential vascular applications of a particular product currently under development.

If the Issuer is unable or unwilling to supply products that are the subject matter of the Distribution Agreement and 90 days after Abbott has ordered the Issuer to supply such products the Issuer has not remedied its inability to supply the products, then Abbott may manufacture or have manufactured the products under the Issuer's patents and other intellectual property rights during the period the Issuer is unable to supply such products.

C. CREDIT AGREEMENT

The Credit Agreement is dated August 12, 1998. Abbott agrees under the Credit Agreement to loan to the Issuer, at the Issuer's request, an amount not to exceed $5,000,000 prior to July 31, 1999. (This loan is in addition to the loan covered by the Note Agreement). The Issuer shall provide Abbott with 15 business days written notice of a request of a loan disbursement under the Credit Agreement. Amounts repaid may not be reborrowed. The loan shall bear interest from the date of disbursement on the unpaid principal amount thereof until the earlier of an Event of Default (as such term is defined in the Credit Agreement) or the date upon which such amount shall become due and payable. Such interest shall be at a rate of 5% per annum.

The loan made under the Credit Agreement shall be evidenced by a Credit Facility Note. The Issuer may convert, at its sole discretion, the Credit Facility Note or any portion of the principal amount thereof which is $1,000,000 or an integral amount multiple of $1,000,000 into fully paid and nonassessable shares of Common Stock at the conversion price then in effect. The conversion right expires on the maturity date (the fifth year anniversary of the first disbursement date). The initial conversion price may be adjusted in certain instances.

The Issuer shall not have the option to convert the Credit Facility Note into shares of Common Stock if (i) such Common Stock, together with the Common Stock then beneficially owned by Abbott, would exceed 19% of the then outstanding Common Stock (giving effect to such issuance upon conversion to Abbott) or (ii) the fair market value (as defined in the Credit Agreement) of the Common Stock as of the date that written notice of conversion is provided to Abbott falls below a specified level.

The Issuer shall at all times reserve and keep available out of its authorized but unissued Common Stock, for the purpose of effecting the conversion of the Credit Facility Note, the full number of shares of Common Stock issuable upon conversion of the entire Credit Facility Note.

Abbott may transfer or assign the Credit Facility Note without the Issuer's consent.

D. SECURITY AGREEMENT

In order to secure the payment and performance of the Issuer's obligations under (i) the Note Agreement; (ii) the Note; (iii) the Credit Facility Note; (iv) the Credit Agreement and (v) any amendment, modification, renewal or extension of the Note or the Note Agreement; the Security Agreement grants from the Issuer to Abbott, a security interest in all of the Issuer's right, title and interest in and to the following items:

(i) all the Issuer's right, title and interest in and to the current and future trademarks owned by the Issuer, in connection with its peripheral blood clot infusion products in the Territory, which are set forth as an exhibit to the Security Agreement;

(ii) all the Issuer's right, title and interest in and to the current and future patents owned by the Issuer in connection with the Issuer's peripheral blood clot infusion products in the Territory, which are set forth as an exhibit to the Security Agreement, and

(iii) all the Issuer's right, title and interest in and to the other current and future intellectual property rights owned by the Issuer in connection with the Issuer's peripheral blood clot infusion products, which are set forth as an exhibit to the Security Agreement.

The Issuer shall execute a Notice of Recordation of Assignment Document with the United States Patent and Trademark Office for each trademark and patent registered with that office. The Issuer shall also execute a UCC-1 document for all of the collateral items to enable Abbott to perfect its security interest in the collateral items.

Upon the occurrence of an Event of Default (as such term is defined in the Security Agreement) Abbott may exercise all rights or remedies Abbott may have as a secured party under the Uniform Commercial Code as adopted in California. Upon such event, Abbott, at its option, may (i) retain for its own commercial use all or any portion of the collateral items that are commercially reasonable (subject to certain provisions); and/or (ii) sell, lease or otherwise dispose of all or any part of the collateral items upon terms that are commercially reasonable.

ITEM 7. MATERIAL TO BE FILED AS EXHIBITS

Exhibit 1 - Information Concerning Executive Officers and Directors of Abbott Laboratories.

Exhibit 2 - Convertible Subordinated Note Agreement, dated as of August 12, 1998.

Exhibit 3 - Exclusive Distribution Agreement, dated as of August 12, 1998.
Exhibit 4 - Credit Agreement, dated as of August 12, 1998.
Exhibit 5 - Security Agreement, dated as of August 12, 1998.

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After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Abbott Laboratories

DATED: August 31, 1998

By: /s/ Gary P. Coughlan

Gary P. Coughlan, Senior Vice President,
Finance and Chief Financial Officer

EXHIBIT INDEX

PORTIONS OF EXHIBITS 2, 3 AND 4 HAVE BEEN OMITTED (DESIGNATED BY AN ASTERISK (*)) AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT DATED AUGUST 28, 1998

Exhibit Number	Description
1	Information Concerning Executive Officers and Directors of Abbott Laboratories.
2	Convertible Subordinated Note Agreement, dated as of August 12, 1998.
3	Exclusive Distribution Agreement, dated as of August 12, 1998.
4	Credit Agreement, dated as of August 12, 1998.
5	Security Agreement, dated as of August 12, 1998.

Exhibit 1

Information Concerning Executive Officers and Directors of Abbott Laboratories

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The current corporate officers and directors of Abbott Laboratories are listed below. The address of Abbott Laboratories is: Abbott Laboratories, 100 Abbott Park Road, Abbott Park, Illinois 60064-3500. Abbott Laboratories does not consider all of its corporate officers to be executive officers as defined by the Securities Exchange Act of 1934 or Releases thereunder. Unless otherwise indicated, all positions set forth below opposite an individual's name refer to positions within Abbott Laboratories, and the business address listed for each individual not principally employed by Abbott Laboratories is also the address of the corporation or other organization which principally employs that individual.

NAME	POSITION/PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND BUSINESS ADDRESS	CITIZENSHIP
CORPORATE OFFICERS		
Duane L. Burnham(1)	Chairman of the Board and Chief Executive Officer	U.S.A.
Thomas R. Hodgson(1)	President and Chief Operating Officer	U.S.A.
Paul N. Clark(1)	Executive Vice President	U.S.A.
Robert L. Parkinson(1)	Executive Vice President	U.S.A.
Miles D. White(1)	Executive Vice President	U.S.A.
Joy A. Amundson(1)	Senior Vice President, Ross Products	U.S.A.
Thomas D. Brown(1)	Senior Vice President, Diagnostic Operations	U.S.A.
Gary P. Coughlan(1)	Senior Vice President, Finance and Chief Financial Officer	U.S.A.
Jose M. de Lasa(1)	Senior Vice President, Secretary and General Counsel	U.S.A.
William G. Dempsey(1)	Senior Vice President, Chemical and Agricultural Products	U.S.A.
Richard A. Gonzalez(1)	Senior Vice President, Hospital Products	U.S.A.
Arthur J. Higgins(1)	Senior Vice President, Pharmaceutical Operations	United Kingdom

CORPORATE OFFICERS

Continued

Ellen M. Walvoord(1)	Senior Vice President, Human Resources	U.S.A.
Josef Wendler(1)	Senior Vice President, International Operations	Germany
Catherine V. Babington(1)	Vice President, Investor Relations and Public Affairs	U.S.A.
Patrick J. Balthrop	Vice President, Diagnostic Commercial Operations	U.S.A.
Mark E. Barmak	Vice President, Litigation and Government Affairs	U.S.A.
Christopher B. Begley	Vice President, MediSense Operations	U.S.A.
Douglas C. Bryant	Vice President, Diagnostic Operations, Asia and Pacific	U.S.A.
Gary R. Byers(1)	Vice President, Internal Audit	U.S.A.
Thomas C. Chen	Vice President, Pacific, Asia, and Africa Operations	U.S.A.
Kenneth W. Farmer(1)	Vice President, Management Information Services and Administration	U.S.A.
Edward J. Fiorentino	Vice President, Pharmaceutical Products, Marketing, and Sales	U.S.A.
Thomas C. Freyman(1)	Vice President and Treasurer	U.S.A.
David B. Goffredo	Vice President, European Operations	U.S.A.
Guillermo A. Herrera	Vice President, Latin America and Canada Operations	Columbia
Jay B. Johnston	Vice President, Diagnostic Assays and Systems	U.S.A.
James J. Koziarz, Ph.D.	Vice President, Diagnostic Products Research and Development	U.S.A.
John F. Lussen(1)	Vice President, Taxes	U.S.A.
Edward L. Michael	Vice President, Diagnostic Operations, Europe, Africa, and Middle East	U.S.A.
Theodore A. Olson(1)	Vice President and Controller	U.S.A.

CORPORATE OFFICERS

Continued

Andre G. Pernet, Ph.D.	Vice President, Pharmaceutical Products Research and Development	U.S.A.
William H. Stadtlander	Vice President, Ross Medical Nutritional Products	U.S.A.
Marcia A. Thomas(1)	Vice President, Corporate Quality Assurance and Regulatory Affairs	U.S.A.
H. Thomas Watkins(1)	Vice President, Abbott HealthSystems	U.S.A.
Steven J. Weger(1)	Vice President, Corporate Planning and Development	U.S.A.
Susan M. Widner	Vice President, Diagnostic Operations, U.S. and Canada	U.S.A.
Lance B. Wyatt(1)	Vice President, Corporate Engineering	U.S.A.

(1) Pursuant to Item 401(b) of Regulation S-K Abbott has identified these persons as "executive officers" within the meaning of Item 401(b).

NAME	POSITION/PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND BUSINESS ADDRESS	CITIZENSHIP
DIRECTORS		
K. Frank Austen, M.D.	Professor of Medicine, Harvard Medical School Smith Building, Room 638 One Jimmy Fund Way Boston, Massachusetts 02115	U.S.A.
Duane L. Burnham	Officer of Abbott	U.S.A.
Paul N. Clark	Officer of Abbott	U.S.A.
H. Laurance Fuller	Chairman and Chief Executive Officer Amoco Corporation 200 East Randolph Drive Mail Code 3000 Chicago, Illinois 60601 (integrated petroleum and chemicals company)	U.S.A.
Thomas R. Hodgson	Officer of Abbott	U.S.A.
David A. Jones	Chairman and Retired Chief Executive Officer Humana Inc. 500 W. Main Street Humana Building Louisville, Kentucky 40202 (Health Plan Business)	U.S.A.
The Rt. Hon. the Lord Owen CH	British Member of Parliament 25 Queen Anne's Gate Westminster, London SW1H 9BU, England	United Kingdom
Robert L. Parkinson	Officer of Abbott	U.S.A.
Boone Powell, Jr.	President and Chief Executive Officer Baylor Health Care System and Baylor University Medical Center, Vice President, Baylor University 3500 Gaston Avenue Dallas, Texas 75246	U.S.A.

DIRECTORS - Continued

Addison Barry Rand	Executive Vice President Xerox Corporation 800 Long Ridge Road Stamford, Connecticut 06904-1600 (document processing, insurance and financial services company)	U.S.A.
Dr. W. Ann Reynolds	President The University of Alabama at Birmingham Suite 1070 Administration Building 701 S. 20th Street Birmingham, Alabama 35294-0110	U.S.A.
Roy S. Roberts	Vice President General Motors Corporation, and General Manager, Pontiac-GMC Division 100 Renaissance Center Mail Code 482-A30-D10 Detroit, Michigan 48243 (manufacturer of motor vehicles)	U.S.A.
William D. Smithburg	Retired Chairman, President and Chief Executive Officer The Quaker Oats Company 321 N. Clark Street Chicago, Illinois 60610 (worldwide food manufacturer and marketer of beverages and grain-based products)	U.S.A.
John R. Walter	Former President and Chief Operating Officer AT & T Corporation 295 North Maple Avenue Room 4353L1 Basking Ridge, New Jersey (telecommunications company)	U.S.A.
William L. Weiss	Chairman Emeritus, Ameritech Corporation One First National Plaza Suite 2530C Chicago, Illinois 60603-2006 (telecommunications company)	U.S.A.
Miles D. White	Officer of Abbott	U.S.A.

EXHIBIT 2

PORTIONS OF THIS DOCUMENT HAVE BEEN OMITTED (DESIGNATED BY AN ASTERISK (*)) AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT DATED AUGUST 28, 1998

CONVERTIBLE SUBORDINATED NOTE AGREEMENT
BY AND BETWEEN
ABBOTT LABORATORIES
AND
MICRO THERAPEUTICS, INC.
DATED AS OF AUGUST 12, 1998
$5,000,000
5% CONVERTIBLE SUBORDINATED NOTE, DUE AUGUST 19, 2003

CONVERTIBLE SUBORDINATED NOTE AGREEMENT

THIS CONVERTIBLE SUBORDINATED NOTE AGREEMENT (this "Agreement"), entered into as of the 12th day of August 1998, by and between ABBOTT LABORATORIES, an Illinois corporation ("Abbott"), and MICRO THERAPEUTICS, INC., a Delaware corporation (the "Company").

RECITALS

A. Abbott desires to purchase from the Company, and the Company desires to sell to Abbott, a certain 5% Convertible Subordinated Note, due August 19, 2003, in the aggregate principal amount of Five Million Dollars ($5,000,000) (the "Note") convertible into shares of the common stock, par value $0.001 per share, of the Company (the "Common Stock"), in the form attached hereto as Exhibit A, all as more fully described below, on the terms and conditions set forth herein.

B. The Company and Abbott desire to enter into an Exclusive Distribution Agreement (the "Distribution Agreement") in the form attached hereto as Exhibit B.

C. The Company and Abbott desire to enter into a Credit Agreement (the "Credit Agreement") in the form attached hereto as Exhibit C, which provides that Abbott, as lender, shall loan to the Company, at the Company's sole option, as borrower, an amount not to exceed an aggregate of Five Million Dollars ($5,000,000).

D. The Company desires to grant Abbott a security interest in the intellectual property relating to the Company's peripheral blood clot infusion products pursuant to the Security Agreement in the form attached hereto as Exhibit D.

E. The Company and Abbott desire to make certain representations, warranties,

covenants and agreements in connection with the purchase and sale of the Note and desire to prescribe certain conditions precedent to such purchase and sale.

F. The Company and Abbott desire to make certain representations, warranties, covenants and agreements in connection with entering into this Agreement and the Credit Agreement and desire to prescribe certain conditions precedent to such agreements.

AGREEMENT

NOW, THEREFORE, in consideration of the promises and of the mutual provisions, agreements and covenants contained herein, the Company and Abbott hereby agree as follows:

1. DESCRIPTION OF NOTE AND COMMITMENT.

1.1 DESCRIPTION OF NOTE. The Company has authorized the purchase and sale of Five Million Dollars ($5,000,000) aggregate principal amount of the Note to be dated the Closing Date of issue, to bear interest from such date at the rate of five percent (5%) per annum, payable quarterly in arrears on January 31, April 30, July 31 and October 31, each year (commencing October 31, 1998) and at maturity and to bear interest on overdue principal and premium, if any, and (to the extent legally enforceable) on any overdue installment of interest at the rate of ten percent (10%) per annum after the date due, whether at maturity or by declaration, acceleration or otherwise, until paid, to be expressed to mature on August 19, 2003, and to be substantially in the form attached hereto as Exhibit A. The Note is not subject to redemption or prepayment. The Note is convertible into Common Stock on the terms and conditions set forth in Section 11 hereof.

1.2 COMMITMENT, CLOSING DATE. Subject to the terms and conditions hereof and on the basis of the representations, warranties, covenants and agreements set forth herein, the Company agrees to sell to Abbott, and Abbott agrees to purchase from the Company, the Note in the respective aggregate principal amount as set forth in Exhibit A at a purchase price of one hundred percent (100%) of the principal amount thereof on the Closing Date (as defined herein).

The closing of the purchase and sale of the Note will be made at the offices of Stradling Yocca Carlson & Rauth, 660 Newport Center Drive, Suite 1600, Newport Beach, California 92660, against payment therefor of the purchase price by wire transfer in immediately available funds at 1:00 p.m. Pacific time, August 19, 1998, or such later date as shall mutually be agreed upon by the Company and Abbott (the "Closing Date"). The Note delivered to Abbott on the Closing Date will be delivered to Abbott in the form of a single Note in the form attached hereto as Exhibit A for the full amount of Abbott's purchase.

2. INTERPRETATION OF AGREEMENT; DEFINITIONS.

2.1 DEFINITIONS. Unless the context otherwise requires, the terms hereinafter set forth when used herein shall have the following meanings and the following definitions shall be equally applicable to both the singular and plural forms of any of the terms herein defined:

"Affiliate" shall mean any Person (other than a Subsidiary) (i) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Company, (ii) which beneficially owns or holds five percent (5%) or more of any class of the Voting Stock of the Company or (iii) five percent (5%) or more of the Voting Stock (or in the case of a Person which is not a corporation, five percent (5%) or more of the equity interest) of which is beneficially owned or held by the Company or a Subsidiary. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Agreement" shall mean this Note Agreement.

"Board of Directors" shall mean either the board of directors of the Company or any duly authorized committee thereof.

"Board Resolution" shall mean a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification.

"Business Day" shall mean any day other than a Saturday, Sunday, legal holiday or other day on which commercial banks located in San Francisco, California or Chicago, Illinois are authorized or required by law to be closed.

"Closing Date" shall have the meaning specified in Section 1.2 hereof.

"Commission" shall mean the Securities and Exchange Commission, or successor regulatory entity.

"Common Stock" shall mean the Common Stock, par value $0.001 per share, of the Company.

"Company" shall mean Micro Therapeutics, Inc., a Delaware corporation, and any Person who in accordance with the terms of this Agreement succeeds to all, or substantially all, of the assets or business of Micro Therapeutics, Inc.

"Credit Facility Note" shall mean the 5% Convertible Credit Facility Note issued pursuant to the Credit Facility as defined in Section 6.1 hereof.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, together with the regulations thereunder, in each

case as in effect from time to time. References to sections of ERISA shall be construed to also refer to any successor sections.

"Event of Default" shall have the meaning set forth in Section 9 hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"GAAP" shall mean generally accepted accounting principles at the time in the United States.

"Holder" shall mean the registered holder of the Note, initially Abbott.

"Interest Payment Date" shall mean the Stated Maturity of an installment of interest on the Note.

"Lien" shall mean any interest in property securing an obligation owed to, or a claim by, a Person other than the owner of the property, whether such interest is based on the common law, statute or contract, and including but not limited to the security interest lien arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances (including, with respect to stock, stockholder agreements, voting trust agreements, buy-back agreements and all similar arrangements) affecting property. For the purposes of this Agreement, the Company or a Subsidiary shall be deemed to be the owner of any property which it has acquired or holds subject to a conditional sale agreement, capitalized lease or other arrangement pursuant to which title to the property has been retained by or vested in some other Person for security purposes and such retention or vesting shall constitute a Lien.

"Nasdaq" and "Nasdaq National Market" shall have the meanings specified in Section 11.4(h) hereof.

"Person" shall mean an individual, partnership, corporation, limited liability company, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"Preferred Stock" shall mean stock of the Company or a Subsidiary of any class or series ranking prior to any other class or series of stock of the Company or the Subsidiary with respect to the payment of dividends or the distribution of assets upon the liquidation, dissolution or winding up of the Company or the Subsidiary.

"Purchased Shares" shall have the meaning specified in Section 11.4(f) hereof.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Stated Maturity," when used with respect to the Note or any installment of interest hereon, shall mean the date specified in the Note as the fixed date on which the principal of the Note

or any installment of interest is due and payable.

"Subsidiary" shall mean a corporation, partnership or other entity at least a majority of whose Voting Stock is owned directly or indirectly by the Company.

"Voting Stock" shall mean securities of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions).

2.2 ACCOUNTING PRINCIPLES. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with GAAP, to the extent applicable, except where such principles are inconsistent with the requirements of this Agreement.

2.3 DIRECTLY OR INDIRECTLY. Where any provision in this Agreement refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether the action in question is taken directly or indirectly by such Person.

2.4 LEGAL HOLIDAYS. In any case where any Interest Payment Date or Stated Maturity of the Note or the last date on which Abbott has the right to convert the Note shall not be a Business Day, then (notwithstanding any other provision of this Agreement or of the Note) payment of interest or principal or conversion of the Note, as the case may be, need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date, or at the Stated Maturity, or on such last day for conversion.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND ITS SUBSIDIARIES. Except as otherwise set forth in the Disclosure Schedule attached hereto as Exhibit E (the "Disclosure Schedule") or in any document expressly referenced in the Disclosure Schedule, the Company and its Subsidiaries represent and warrant to Abbott as of the date hereof as follows:

3.1 SUBSIDIARIES OF THE COMPANY. The Disclosure Schedule states the name of each of the Subsidiaries of the Company, its jurisdiction of incorporation and the percentage of its Voting Stock owned by the Company and/or its Subsidiaries. The Company and each of its Subsidiaries has good and marketable title to all of the shares it purports to own of the stock of each Subsidiary, free and clear in each case of any Lien.

3.2 CORPORATE ORGANIZATION AND AUTHORITY. The Company, and each of its Subsidiaries: (a) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation; (b) has all requisite power and authority and all necessary licenses and permits to own and operate its properties and to carry on its business as now conducted and as presently proposed to be conducted; and (c) is duly licensed or qualified and is in good standing as a foreign corporation in each jurisdiction wherein the nature of the business transacted by it or the nature of the property owned or leased by it

makes such licensing or qualification necessary.

3.3 CAPITAL STRUCTURE. The authorized capital stock of the Company consists of Twenty Million (20,000,000) shares of Common Stock, par value $0.001 per share, and Five Million (5,000,000) shares of Preferred Stock, par value $0.001 per share. As of June 30, 1998, Six Million Six Hundred Eighty-Four Thousand Four Hundred Sixty-Seven (6,684,467) shares of the Common Stock were issued and outstanding and no shares of the Preferred Stock were issued and outstanding.

All of the outstanding Common Stock was issued in compliance with applicable federal and state securities laws and regulations. All of the outstanding shares of the Common Stock are, and any shares of Common Stock issuable upon conversion of the Note and the Credit Facility Note will be, duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights created by statute, the Company's Certificate of Incorporation or Bylaws, or any agreement to which the Company is a party or is bound.

3.4 EQUITY INVESTMENTS. The Company does not own any equity stock or interest, directly or indirectly, in any corporation, partnership, joint venture, firm or other entity. The Company has no Subsidiaries except those set forth in the Disclosure Schedule.

3.5 AUTHORITY. The Company has all requisite corporate power and authority to enter into this Agreement, the Credit Agreement and the Security Agreement and to issue the Note, and will have all requisite corporate power and authority to issue the Credit Facility Note and, subject to satisfaction of the conditions set forth herein and therein, to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement, the Credit Agreement, the Security Agreement and the Note and the consummation of the transactions contemplated hereby and thereby have been, and the execution and delivery of the Credit Facility Note and the consummation of the transactions contemplated thereby will be, duly authorized by all necessary corporate action on the part of the Company. This Agreement, the Credit Agreement, the Security Agreement and the Note have been, and the Credit Facility Note will be, duly executed and delivered by the Company, and constitute the valid and binding obligation of the Company, enforceable in accordance with their respective terms, subject to the effect of applicable bankruptcy, insolvency, reorganization or other similar laws affecting the rights of creditors and the effect or availability of rules of law governing specific performance, injunctive relief or other equitable remedies. Provided the conditions set forth in Section 8 hereof are satisfied, the execution and delivery of this Agreement, the Credit Agreement, the Security Agreement, the Note and the Credit Facility Note do not or will not, and the consummation of the transactions contemplated hereby or thereby will not, conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation under (a) any provision of the Certificate of Incorporation or Bylaws of the Company, or (b) any material agreement or instrument, permit, franchise, license, judgment or order, applicable to the Company or its respective properties or assets.

No consent, approval, order or authorization of, or registration, declaration or filing with, any

court, administrative agency or commission or other governmental authority (a "Governmental Entity") or other Person or entity, is required by, or with respect to, the Company in connection with the execution and delivery of this Agreement, the Credit Agreement or the Security Agreement or the consummation by the Company of the transactions contemplated hereby or thereby, except for such consents, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable federal and state securities laws and the laws of any foreign country.

3.6 FINANCIAL STATEMENTS. The Company has furnished to Abbott its audited consolidated statement of operations, statement of stockholders' equity and statement of cash flows for the fiscal year ended December 31, 1997 and the Company's audited consolidated balance sheet at December 31, 1997; and the unaudited consolidated statement of operations and statement of cash flows for the six (6) months ended June 30, 1998 and the unaudited consolidated balance sheet at June 30, 1998. The Company will furnish to Abbott as soon as available its audited consolidated financial statements for the fiscal year ended December 31, 1998. The balance sheet at June 30, 1998 is hereinafter referred to as the "Company Balance Sheet," and all such financial statements are hereinafter referred to collectively as the "Company Financial Statements." The Company Financial Statements have been and will be prepared in accordance with GAAP applied on a consistent basis, except for any change due to the adoption of an accounting principle established by the FASB, AICPA, SEC or any other accounting standard setting board, during the periods involved, and fairly present and will present the consolidated financial position of the Company and the results of its operations as of the date and for the periods indicated thereon. At the date of the Company Balance Sheet (the "Company Balance Sheet Date"), neither the Company nor its consolidated Subsidiaries had any liabilities or obligations, secured or unsecured (whether accrued, absolute, contingent or otherwise) not reflected on the Company Balance Sheet or the accompanying notes thereto.

3.7 SECURITIES AND EXCHANGE COMMISSION DOCUMENTS. The Company has furnished to Abbott a true and complete copy of the Company's Form 10-KSB for the year ended December 31, 1997 and Form 10-QSB for each of the quarters ended March 31, 1998 and June 30, 1998 (the "Company SEC Documents"). As of their respective filing dates, the Company SEC Documents comply in all material respects with the requirements of the Exchange Act or the Securities Act, and none of the Company SEC Documents contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading, except to the extent corrected by a subsequently filed Company SEC Document.

3.8 BUSINESS CHANGES. Since June 30, 1998, except as otherwise contemplated by this Agreement or as disclosed in writing to Abbott, the Company has conducted its business only in the ordinary and usual course and, without limiting the generality of the foregoing:

(a) There have been no changes in the condition (financial or otherwise), business, net worth, assets, properties, employees, operations, obligations or liabilities of the Company which, in the aggregate, have had or may be reasonably expected to have a materially

adverse effect on the condition, business, net worth, assets, prospects, properties or operations of the Company.

(b) The Company has not issued, or authorized for issuance, or entered into any commitment to issue, any equity security, bond, note or other security of the Company.

(c) The Company has not incurred debt for borrowed money, nor incurred any obligation or liability except in the ordinary and usual course of business and in any event not in excess of Fifty Thousand Dollars ($50,000) for any single occurrence.

(d) The Company has not paid any obligation or liability, or discharged, settled or satisfied any claim, lien or encumbrance, except for current liabilities in the ordinary and usual course of business and in any event not in excess of Fifty Thousand Dollars ($50,000) for any single occurrence.

(e) The Company has not declared or made any dividend, payment or other distribution on or with respect to any share of capital stock of the Company.

(f) The Company has not purchased, redeemed or otherwise acquired or committed itself to acquire, directly or indirectly, any share or shares of capital stock of the Company.

(g) The Company has not mortgaged, pledged, or otherwise encumbered any of its assets or properties, other than inventory sold in the normal course of business or accounts receivable.

(h) The Company has not disposed of, or agreed to dispose of, by sale, lease, license or otherwise, any asset or property, tangible or intangible, except, in the case of such other assets and property, in the ordinary and usual course of business, and in each case for a consideration believed to be at least equal to the fair value of such asset or property and in any event not in excess of Fifty Thousand Dollars ($50,000) for any single item or One Hundred Thousand Dollars ($100,000) in the aggregate other than inventory sold or returned in the normal course of business.

(i) The Company has not purchased or agreed to purchase or otherwise acquire any securities of any corporation, partnership, joint venture, firm or other entity; the Company has not made any expenditure or commitment for the purchase, acquisition, construction or improvement of a capital asset, except in the ordinary and usual course of business and in any event not in excess of Fifty Thousand Dollars ($50,000) for any single item or One Hundred Thousand Dollars ($100,000) in the aggregate.

(j) The Company has not entered into any transaction or contract, or made any commitment to do the same, except in the ordinary and usual course of business.

(k) The Company has not sold, assigned, transferred or conveyed, or committed itself to sell, assign, transfer or convey, any Proprietary Rights (as defined in Section 3.15 hereof).

(l) The Company has not adopted or amended any bonus, incentive, profit-sharing, stock option, stock purchase, pension, retirement, deferred-compensation, severance, life insurance, medical or other benefit plan, agreement, trust, fund or arrangement for the benefit of employees of any kind whatsoever, nor entered into or amended any agreement relating to employment, services as an independent contractor or consultant, or severance or termination pay, nor agreed to do any of the foregoing.

(m) The Company has not effected or agreed to effect any change in its directors, officers or key employees.

(n) The Company has not effected or committed itself to effect any amendment or modification in its Certificate of Incorporation or Bylaws, except as contemplated by this Agreement.

(o) The Company has not modified its accounting principles in any material respect, except for those changes required by the adoption of an accounting principle promulgated by the FASB, the AICPA, the Securities and Exchange Commission, or any other accounting standards setting bodies.

3.9 INDEBTEDNESS. The Disclosure Schedule correctly describes all debt of the Company and its Subsidiaries in excess of Two Hundred Fifty Thousand Dollars ($250,000) outstanding of the Closing Date.

3.10 LITIGATION. There is no claim, dispute, action, proceeding, notice, order, suit, appeal or investigation, at law or in equity, pending against the Company, or involving any of its assets or properties, before any court, agency, authority, arbitration panel or other tribunal (other than those, if any, with respect to which service of process or similar notice has not yet been made on the Company), and none have been threatened. The Company is aware of no facts which, if known to stockholders, customers, governmental authorities or other Persons, would result in any such claim, dispute, action, proceeding, suit or appeal or investigation which would have a material adverse effect on the condition (financial or otherwise), business, net worth, assets, prospects, properties or operations of the Company. The Company is not subject to any order, writ, injunction or decree of any court, agency, authority, arbitration panel or other tribunal, nor is it in default with respect to any notice, order, writ, injunction or decree.

3.11 COMPLIANCE WITH LAW. All material licenses, franchises, permits, clearances, consents, certificates and other evidences of authority of the Company which are necessary to the conduct of the Company's business ("Permits") are in full force and effect and the Company is not in violation of any Permit in any material respect. Except for possible exceptions, the curing or non-curing of which would not have a material adverse effect on the condition (financial or otherwise), business, net worth, assets, prospects, properties or operations of the Company, the business of the Company has been conducted in accordance with all applicable laws, regulations, orders and other requirements of governmental authorities.

3.12 TITLE TO PROPERTIES. The Company and each of its Subsidiaries has good and marketable title in fee simple (or its equivalent under applicable law) to all material parcels of real property and has good title to all the other material items of property it purports to own, except as sold or otherwise disposed of in the ordinary course of business.

3.13 LICENSES, ETC. The Company and each of its Subsidiaries owns or possesses all the material trade names, service marks, licenses, governmental approvals, and rights with respect to the foregoing necessary for the present conduct of its business, without any known conflict with the rights of others.

3.14 NO DEFAULT.

(a) Each of the Company's material agreements or contracts is a legal, binding and enforceable obligation by or against the Company, subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium or other similar federal or state laws affecting the rights of creditors and the effect or availability of rules of law governing specific performance, injunctive relief or other equitable remedies (regardless of whether any such remedy is considered in a proceeding at law or in equity). To the Company's knowledge, no party with whom the Company has an agreement or contract is in default thereunder or has breached any term or provision thereof which is material to the conduct of the Company's business.

(b) The Company has performed, or is now performing, the obligations of, and the Company is not in material default (or would by the lapse of time and/or the giving of notice be in material default) in respect of, any contract, agreement or commitment binding upon it or its assets or properties and material to the conduct of its business. No third party has raised any claim, dispute or controversy with respect to any of the contracts of the Company, whether fully performed or currently being performed, nor has the Company received written notice or warning of alleged nonperformance, delay in delivery or other noncompliance by the Company with respect to its obligations under any of those contracts, nor are there any facts which exist indicating that any of those contracts may be totally or partially terminated or suspended by the other parties thereto.

3.15 PROPRIETARY RIGHTS.
(a) The Company has provided Abbott with a complete list in writing of all patents and applications for patents, trademarks, trade names, service marks, and copyrights, and applications therefor, owned or used by the Company or in which it has any rights or licenses, except for software used by the Company and generally available on the commercial market. The Company has provided Abbott with a complete and accurate list of all agreements of the Company with each officer, employee or consultant of the Company providing the Company with title and ownership to patents, patent applications, trade secrets and inventions developed or used by the Company in its business. All of such agreements so described are valid, enforceable and legally binding, subject to the effect of applicable bankruptcy, insolvency, reorganization or other similar laws affecting the rights of creditors or availability of rules of law governing specific performance, injunctive relief or other equitable remedies (regardless of whether any such remedy is considered in a proceeding at

law or in equity).

(b) The Company owns or possesses licenses or other rights to use all patents, patent applications, trademarks, trademark applications, trade secrets, service marks, trade names, copyrights, inventions, drawings, designs, customer lists, proprietary know-how or information, or other rights with respect thereto (collectively referred to as "Proprietary Rights"), used in the business of the Company, and the same are sufficient to conduct the Company's business as it has been and is now being conducted.

(c) The operations of the Company do not conflict with or infringe, and no one has asserted to the Company that such operations conflict with or infringe, on any Proprietary Rights, owned, possessed or used by any third party. There are no claims, disputes, actions, proceedings, suits or appeals pending against the Company with respect to any Proprietary Rights (other than those, if any, with respect to which service of process or similar notice may not yet have been made on the Company), and, none has been threatened against the Company. To the knowledge of the Company, there are no facts or alleged facts which would reasonably serve as a basis for any claim that the Company does not have the right to use, free of any rights or claims of others, all Proprietary Rights in the development, manufacture, use, sale or other disposition of any or all products or services presently being used, furnished or sold in the conduct of the business of the Company as it has been and is now being conducted.

(d) To the Company's knowledge, no employee of the Company is in violation of any term of any employment contract, proprietary information and inventions agreement, non-competition agreement, or any other contract or agreement relating to the relationship of any such employee with the Company or any previous employer.

3.16 TAXES. All tax returns required to be filed by the Company or its Subsidiaries in any jurisdiction have, in fact, been filed, and all taxes, assessments, fees and other governmental charges upon the Company or its Subsidiaries or upon any of their respective properties, income or franchises, which are shown to be due and payable in such returns have been paid. For all taxable years ending on or before December 31, 1997, the federal income tax liability of the Company and its Subsidiaries has been satisfied. The Company does not know of any proposed additional tax assessment against it for which adequate reserves have not been made on its balance sheet, and no material controversy in respect of additional federal or state income taxes due since said date is pending or, to the knowledge of the Company, threatened. The reserves for taxes on the books of the Company and each of its Subsidiaries are adequate in all material respects for all open years, and for its current fiscal period.

3.17 USE OF PROCEEDS. The net proceeds from the sale of the Note will be used to make an infusion of capital into the Company and for other corporate purposes.

3.18 PRIVATE OFFERING. Neither the Company, directly or indirectly, nor any agent on its behalf has offered or will offer the Note or any similar security or has solicited or will solicit an offer to acquire the Note or any similar security from or has otherwise approached or negotiated or will approach or negotiate in respect of the Note or any similar security with

any Person other than Abbott. Neither the Company, directly or indirectly, nor any agent on its behalf has offered or will offer the Note or any similar security or has solicited or will solicit an offer to acquire the Note or any similar security from any Person so as to require registration of the Note under section 5 of the Securities Act.

3.19 EMPLOYEE PLANS AND RELATIONS.
(a) Except as provided in the Company SEC Documents, the Company does not have any: (i) employee benefit plans, multi-employer plans and employee benefit plans (as defined in section 3(2) or section 3(3) of the Employee Retirement Income Security Act of 1974, as amended); (ii) bonus, deferred compensation, incentive, restricted stock, stock purchase, stock option, stock appreciation right, phantom stock, debenture, supplemental pension, profit-sharing, royalty pool, commission or similar plan or arrangement; (iii) employment, consulting or termination agreement; or (iv)other plan, program, agreement, procedure, policy, commitment, understanding or other arrangement relating to employee benefits, executive compensation, fringe benefits, severance pay, terms of employment or services as a director, officer, employee or independent contractor.
(b) The Company has not been and is not a party to, or subject to, or affected by, any collective bargaining agreement or other labor contract. The Company has complied in all respects with all laws, rules and regulations relating to employment, equal employment opportunity, nondiscrimination, immigration, wages, hours, benefits, collective bargaining, the payment of social security and similar taxes, occupational safety and health and plant closing.

3.20 ENVIRONMENTAL MATTERS. The Company is, and at all times during the period prior to the date hereof the Company has been, in compliance with all applicable local, state and federal statutes, orders, rules, ordinances and regulations relating to pollution or protection of the environment, including, without limitation, laws relating to zoning and land use and to emissions, discharges, releases or threatened releases of pollutants, contaminants, hazardous or toxic materials or wastes into or on land, ambient air, surface water, ground water, personal property or structures (including the protection, cleanup, removal, remediation or damage thereof), or otherwise related to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, discharge or handling of pollutants, contaminants or hazardous or toxic substances, materials or wastes.

3.21 BROKERS OR FINDERS. The Company has not dealt with any broker or finder in connection with the transactions contemplated by this Agreement. The Company has not incurred, and shall not incur, directly or indirectly, any liability for any brokerage or finders' fees or agents' commissions or any similar charges in connection with this Agreement or any transaction contemplated hereby.

3.22 FULL DISCLOSURE. Neither the Company Financial Statements referred to in Section 3.6 hereof nor this Agreement, or any other written statement furnished by the Company to Abbott in connection with the negotiation of the sale of the Note, contains any untrue statement of a material fact or omits a material fact necessary to make the statements contained herein or therein not misleading. There is no fact peculiar to the Company or the Subsidiaries which the Company has not disclosed to Abbott in writing which materially

adversely affects nor, so far as the Company can now foresee, will materially adversely affect, the properties, business, profits or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole.

4. REPRESENTATIONS AND WARRANTIES OF ABBOTT. Except as contemplated by this Agreement, Abbott represents and warrants to the Company as of the date hereof as follows:

4.1 CORPORATE ORGANIZATION. Abbott is a corporation duly incorporated, validly existing and in good standing under the laws of Illinois. Abbott is duly qualified to do business and is in good standing in its state of incorporation and in each other jurisdiction in which it owns or leases property or conducts business, except where the failure to be so qualified would not have a material adverse effect on the business of Abbott. Abbott has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted, and possesses all licenses, franchises, rights and privileges material to the conduct of its business.

4.2 AUTHORITY. Abbott has all requisite corporate power and authority to enter into this Agreement and the related agreements contemplated herein, and, subject to satisfaction of the conditions set forth herein, to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Abbott. This Agreement has been duly executed and delivered by Abbott and constitutes the valid and binding obligation of Abbott enforceable in accordance with its terms, subject to the effect of applicable bankruptcy, insolvency, reorganization or other similar federal or state laws affecting the rights of creditors and the effect or availability of rules of law governing specific performance, injunctive relief or other equitable remedies. Provided the conditions set forth in Section 8 are satisfied, the execution and delivery of this Agreement do not, and the consummation of the transactions contemplated hereby will not, conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation under (a) any provision of the Certificate of Incorporation or Bylaws of Abbott, or (b) any material agreement or instrument, permit, license, judgment, order, statute, law, ordinance, rule or regulation applicable to Abbott or its properties or assets, other than any such conflicts, violations, defaults, terminations, cancellations or accelerations which individually or in the aggregate would not have a material adverse effect on Abbott.

No consent, approval, order or authorization of, or registration, declaration or filing with, any governmental authority is required by or with respect to Abbott in connection with the execution and delivery of this Agreement by Abbott or the consummation by Abbott of the transactions contemplated hereby or thereby.

4.3 RESTRICTED NOTE. Abbott represents and agrees, and in entering into this Agreement the Company understands, that (a) Abbott is acquiring the Note for Abbott's own account, and for the purpose of investment and not with a view to the distribution thereof, and that Abbott has no present intention of selling, negotiating or otherwise disposing of the Note; it being understood, however, that the disposition of Abbott's property shall at all times be and

remain within its control, and (b) the Note has not been registered under section 5 of the Securities Act and that Abbott will only re-offer or resell the Note purchased by Abbott under this Agreement pursuant to an effective registration statement under the Securities Act or in accordance with an available exemption from the requirements of section 5 of the Securities Act.

4.4 NO CONFLICT. The execution and delivery of this Agreement by Abbott and the performance of Abbott's obligations hereunder, (a) are not in violation or breach of, and will not conflict with or constitute a default under, any of the terms of the Certificate of Incorporation or Bylaws of Abbott or any of its Subsidiaries, or any material contract, agreement or commitment binding upon Abbott or any of its assets or properties; (b) will not result in the creation or imposition of any lien, encumbrance, equity or restriction in favor of any third party upon any of the assets or properties of Abbott; and (c) will not conflict with or violate any applicable law, rule, regulation, judgment, order or decree of any government, governmental instrumentality or court having jurisdiction over Abbott or any of its assets or properties.

4.5 BROKERS OR FINDERS. Abbott has not dealt with any broker or finder in connection with the transactions contemplated by this Agreement. Abbott has not incurred, and shall not incur, directly or indirectly, any liability for any brokerage or finders' fees or agents commissions or any similar charges in connection with this Agreement or any transaction contemplated hereby.

5. COVENANTS OF THE COMPANY. From and after the Closing Date and continuing so long as any amount remains unpaid on the Note, the Company and its Subsidiaries covenant and agree with Abbott that:

5.1 CORPORATE EXISTENCE. The Company shall do or cause to be done all things necessary to preserve and keep in full force and effect the existence, rights and franchises of the Company and its Subsidiaries.

5.2 CONDUCT OF BUSINESS IN NORMAL COURSE. The Company and its Subsidiaries shall carry on the business and their activities diligently and in the ordinary course and shall not make or institute any unusual or novel methods of purchase, sale, lease, management, accounting or operation that will vary materially from the methods used by the Company as of June 30, 1998. The Company and its Subsidiaries shall maintain the business and their activities in a normal and customary manner consistent with prior practice.

5.3 MAINTENANCE. The Company will maintain, preserve and keep, and will cause each of its Subsidiaries to maintain, preserve and keep, its material properties which are used or useful in the conduct of its business (whether owned in fee or a leasehold interest) in good repair and working order and from time to time will make all necessary repairs, replacements, renewals and additions so that at all times the efficiency thereof shall be maintained in all material respects.

5.4 PRESERVATION OF BUSINESS AND RELATIONSHIPS. Neither the Company nor any of its

Subsidiaries will engage in any business if, as a result, the general nature of the business, taken on a consolidated basis, which would then be engaged in by the Company and its Subsidiaries would be substantially changed from the general nature of the business engaged in by the Company and its Subsidiaries on the date of this Agreement.

5.5 MERGER; ACQUISITIONS. Except with contemporaneous notice to Abbott, the Company shall not (a) consolidate with or merge into any other Person, (b) acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any Person or division thereof, or (c) otherwise acquire or agree to acquire any assets which are material to the Company except in the ordinary course of business consistent with prior practice.

5.6 SALE OR LEASE OF ASSETS; DISPOSITIONS. Except with contemporaneous notice to Abbott, the Company shall not sell, lease, transfer or otherwise dispose of any of its assets (other than the sale of inventory in the ordinary course of business), except in the ordinary course of business consistent with prior practice.

5.7 INDEBTEDNESS. Except with contemporaneous notice to Abbott, the Company shall not incur any indebtedness for borrowed money other than customary Senior Indebtedness (as defined herein) or guarantee any such indebtedness or issue or sell any debt securities of the Company or guarantee any debt securities of others except in connection with the purchase of inventory pursuant to the existing bank line of credit.

5.8 INSURANCE. The Company shall at all times during the term of this Agreement maintain product liability insurance covering the products with minimum annual limits of Two Million Dollars ($2,000,000) per occurrence and Two Million Dollars ($2,000,000) in the aggregate. The Company shall maintain such insurance for a minimum of five (5) years after termination of this Agreement. Within thirty (30) days of the Closing Date, the Company shall deliver to Abbott a certificate of insurance evidencing such insurance and stating that the policy will not be canceled or modified without at least thirty (30) days prior written notice to Abbott.

5.9 TAXES, CLAIMS FOR LABOR AND MATERIALS, COMPLIANCE WITH LAWS. The Company will promptly pay and discharge, and will cause each of its Subsidiaries promptly to pay and discharge, all lawful taxes, assessments and governmental charges or levies imposed upon the Company or such Subsidiary, respectively, or upon or in respect of all or any part of the property or business of the Company or such Subsidiary, all trade accounts payable in accordance with usual and customary business terms, and all claims for work, labor or materials, which if unpaid might become a Lien upon any property of the Company or such Subsidiary; provided, however, that the Company or such Subsidiary shall not be required to pay any such tax, assessment, charge, levy, account payable or claim if (a) the validity, applicability or amount thereof is being contested in good faith by appropriate actions or proceedings which will prevent the forfeiture or sale of any property of the Company or such Subsidiary or any material interference with the use thereof by the Company or such Subsidiary, and (b) the Company or such Subsidiary shall set aside, in accordance with GAAP, on its books, reserves deemed by it to be adequate with respect thereto. The

Company will promptly comply and will cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules and regulations to which it is subject including, without limitation, the Occupational Safety and Health Act of 1970, as amended, ERISA and all laws, ordinances, governmental rules and regulations relating to environmental protection in all applicable jurisdictions, the violation of which could materially and adversely affect the properties, business, profits or condition of the Company and its Subsidiaries, taken as a whole.

5.10 NOTICE OF CLAIMS AND LITIGATION. The Company will give prompt notice to Abbott of any claim or action at law or in equity, or before any governmental, administrative or regulatory body or arbitration panel instituted against the Company or its Subsidiaries, or disputes that have a high probability of resulting in a suit of significance against the Company or its Subsidiaries involving a claim against the Company or its Subsidiaries, for damages in excess of Two Hundred Fifty Thousand Dollars ($250,000) or which, if concluded adversely to the Company or its Subsidiaries, would materially and adversely affect the business or assets of the Company or its Subsidiaries.

5.11 DISPOSAL OF SHARES OF A SUBSIDIARY. Neither the Company nor its Subsidiaries will sell, pledge or otherwise dispose of any shares of the stock (including as "stock" for the purposes of this Section 5.11 any options or warrants to purchase stock or other Securities exchangeable for or convertible into stock) of a Subsidiary, nor will any Subsidiary issue, sell, pledge, encumber or otherwise dispose of any shares of its own stock, if the effect of the transaction would be to reduce the proportionate interest of the Company and its other Subsidiaries in the outstanding stock of a Subsidiary whose shares are the subject of the transaction, nor will its Subsidiary issue, sell, pledge, encumber or dispose of any shares of its own Preferred Stock.

5.12 TRANSACTIONS WITH AFFILIATES. Except for transactions and arrangements with employee Affiliates, the Company will not, and will not permit its Subsidiaries to, enter into or be a party to any material transaction or arrangement with any Affiliate (including, without limitation, the purchase from, sale to or exchange of property with, or the rendering of any service by or for, any Affiliate), except pursuant to the reasonable requirements of the Company's or its Subsidiaries' business and upon fair and reasonable terms no less favorable to the Company or its Subsidiaries than would be obtained in a comparable arm's-length transaction with a Person other than an Affiliate. To the best knowledge of the Company, the Company has properly disclosed all affiliate transactions in the Company's filings with the Securities and Exchange Commission.

5.13 REPORTS AND ACCESS TO INFORMATION. Not more than once during any twelve (12) month period, the Company shall afford to Abbott and shall cause its independent accountants to afford to Abbott, and its accountants, counsel and other representatives, reasonable access during normal business hours to the Company's properties, books, contracts, commitments and records and to the independent accountants reasonable access to the audit work papers and other records of the Company's accountants. The Company shall furnish promptly to Abbott (a) a copy of each report, schedule and other document filed or received by the Company during such period pursuant to the requirements of federal and

state securities laws and (b) all other material information concerning the business, properties and personnel of the Company and any other materials as Abbott may reasonably request. Abbott will not use such information for purposes other than this Agreement and will otherwise hold all confidential material contained in such information in confidence (and Abbott will cause its consultants and advisors to also hold such information in confidence).

5.14 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the Commission which may permit the sale of the restricted Common Stock to the public without registration, as long as a public market exists for the Common Stock, the Company agrees to use its best efforts to:

(a) Make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act;

(b) File with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act;

(c) So long as a Holder owns any restricted Common Stock, furnish to the Holder forthwith upon request a written statement by the Company as to its compliance with the reporting requirements of Rule 144, and of the Securities Act and the Exchange Act, a copy of the most recent annual or quarterly report of the Company, and such other reports and documents of the Company and other information in the possession of or reasonably obtainable by the Company as a Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing a Holder to sell any such securities without registration.

6. CREDIT AGREEMENT.

6.1 CREDIT AGREEMENT. Concurrently herewith, the Company and Abbott shall enter into the Credit Agreement in the form attached hereto as Exhibit C. Pursuant to the Credit Agreement, at the Company's sole discretion, the Company may require Abbott, as lender, to loan to the Company, as borrower, an amount not to exceed an aggregate of Five Million Dollars ($5,000,000) (the "Credit Facility").

6.2 TERMINATION OF THE CREDIT AGREEMENT. The Company's option to require Abbott to loan money pursuant to the Credit Agreement shall terminate upon the earlier of (a) July 31, 1999, (b) the termination of the Distribution Agreement pursuant to its terms (except for termination of the Distribution Agreement by Abbott without cause) or otherwise resulting from a material breach or default by the Company of any covenant, condition or other provision thereof, or (c) notice from Abbott following an Event of Default.

6.3 DEFAULT AND CROSS DEFAULTS. If an Event of Default occurs, the Company shall not borrow pursuant to the Credit Facility during the time of the Event of Default, and Abbott shall have the right to terminate the Credit Facility upon written notice to the Company. If Abbott does not exercise its right to terminate the Credit Facility during the Event of Default,

thirty (30) days after such Event of Default is cured or remedied, the Company may borrow pursuant to the Credit Facility unless the Credit Facility has terminated in accordance with Section 6.2 hereof.

7. ADDITIONAL AGREEMENTS. Notwithstanding the covenants and agreements of the Company set forth in Section 5 hereof, the Company and Abbott further agree that no such covenants and agreements shall prevent any sale, disposition, spin-off, spin-out, license or any other transfer of the Company's or any Subsidiary's assets and technology outside the Field (as such term is defined in the Distribution Agreement).

8. CONDITIONS PRECEDENT.

8.1 CONDITIONS TO OBLIGATIONS OF ABBOTT. The obligations of Abbott to consummate this Agreement are subject to the satisfaction on or prior to the Closing Date of the following conditions, unless waived by Abbott:

(a) REPRESENTATIONS AND WARRANTIES. The representations and warranties of the Company and its Subsidiaries set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as if made at and as of the Closing Date, except as otherwise contemplated by this Agreement, and Abbott shall have received a certificate or certificates signed by the Chief Executive Officer of the Company to such effect.

(b) PERFORMANCE OF OBLIGATIONS. The Company shall have performed all obligations required to be performed by it under this Agreement prior to the Closing Date, and Abbott shall have received a certificate signed by the Chief Executive Officer of the Company to such effect.

(c) NO MATERIAL ADVERSE CHANGE. There shall have been no changes in the condition (financial or otherwise), business, prospects, employees, operations, obligations or liabilities of the Company which, in the aggregate, have had or may be reasonably expected to have a materially adverse effect on the financial condition, business, or operations of the Company on a consolidated basis.

(d) DISTRIBUTION AGREEMENT. The Company and Abbott shall have entered into a Distribution Agreement in the form attached hereto as Exhibit B.

(e) CREDIT AGREEMENT. The Company and Abbott shall have entered into a Credit Agreement in the form attached hereto as Exhibit C.

(f) SECURITY AGREEMENT. The Company and Abbott shall have entered into a Security Agreement in the form attached hereto as Exhibit D.

(g) NOTE. The Company shall have tendered to Abbott the Note.

8.2 CONDITIONS TO OBLIGATIONS OF THE COMPANY. The obligations of the Company to

consummate the transactions contemplated hereby are subject to the satisfaction on or prior to the Closing Date of the following conditions, unless waived by the Company:

(a) REPRESENTATIONS AND WARRANTIES. The representations and warranties of Abbott set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as if made at and as of the Closing Date, except as otherwise contemplated by this Agreement.

(b) PERFORMANCE OF OBLIGATIONS OF ABBOTT. Abbott shall have performed in all material respects all obligations required to be performed by it under this Agreement prior to the Closing Date.

(c) DISTRIBUTION AGREEMENT. The Company and Abbott shall have entered into a Distribution Agreement in the form attached hereto as Exhibit B.

(d) CREDIT AGREEMENT. The Company and Abbott shall have entered into a Credit Agreement in the form attached hereto as Exhibit C.

(e) PAYMENT. Abbott shall have tendered to the Company Five Million Dollars ($5,000,000) in exchange for the Note.

9. EVENTS OF DEFAULT. If any of the events specified in this Section 9 shall occur (herein individually referred to as an "Event of Default"), the Holder of the then outstanding Note issued pursuant to this Agreement may, so long as such condition exists, declare the entire principal and unpaid accrued interest hereon immediately due and payable, by notice in writing to the Company:

9.1 PAYMENTS. Default in the payment of the principal and unpaid accrued interest of the Note when due and payable if such default is not cured by the Company within ten (10) days after the Holder has given the Company written notice of such default.

9.2 BANKRUPTCY. The institution by the Company of proceedings to be adjudicated as bankrupt or insolvent, or the consent by it to institution of bankruptcy or insolvency proceedings against it or the filing by it of a petition or answer or consent seeking reorganization or release under the federal Bankruptcy Code, or any other applicable federal or state law, or the consent by it to the filing of any such petition or the appointment of a receiver, liquidator, assignee, trustee or other similar official of the Company, or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the taking of corporate action by the Company in furtherance of any such action.

9.3 COMMENCEMENT OF AN ACTION. If, within sixty (60) days after the commencement of an action against the Company (and service of process in connection therewith on the Company) seeking any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such action shall not have been resolved in favor of the Company or all orders or proceedings thereunder affecting the operations or the business of the Company stayed, or if the stay of any such order or

proceeding shall thereafter be set aside, or if, within sixty (60) days after the appointment without the consent or acquiescence of the Company of any trustee, receiver or liquidator of the Company or of all or any substantial part of the properties of the Company, such appointment shall not have been vacated.

9.4 DEFAULT OF SENIOR INDEBTEDNESS. Any declared default of the Company under any Senior Indebtedness (as defined in Section 10 hereof) that gives the holder thereof the right to accelerate such Senior Indebtedness, and such Senior Indebtedness is in fact accelerated by the holder.

9.5 COVENANTS AND AGREEMENTS. The Company shall default in the performance of any of its material covenants and agreements set forth in any provision of this Agreement and the continuance of such default for thirty (30) days after the Holder has given the Company written notice of such default.

9.6 DEFAULT UNDER OTHER AGREEMENTS. The Company breaches or defaults on any material covenant, condition or other provision of the Distribution Agreement and such breach or default continues after the applicable grace period, if any, specified therein but in no event more than thirty (30) days after the Holder has given the Company written notice of such breach or default.

9.7 CHANGE OF CONTROL OF THE COMPANY. Any change in control of the Company which includes any consolidation of the Company with, or merger of the Company into, any other Person, any merger of another Person into the Company (other than a merger which does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock), any acquisition of at least a majority of the Voting Stock of the Company or any sale or transfer of all or substantially all of the business or assets of the Company (a "Change of Control"), or Abbott's receipt of written notice from the Company that a Change of Control will occur as described in Section 11.10 hereof.

9.8 OTHER REMEDIES. If any Event of Default shall occur and be continuing, Abbott shall have, in addition to the remedies set forth in Section 9 hereof, all other remedies otherwise available at law and equity. In addition, if an Event of Default shall occur and be continuing, Abbott may terminate its obligations under the Credit Facility as described in Section 6.2 hereof, and declare the entire principal and unpaid interest due under the Credit Facility Note, if any, immediately due and payable in accordance with the terms of the Credit Agreement.

10. SUBORDINATION. The indebtedness evidenced by the Note is hereby expressly subordinated except as otherwise provided in the Security Agreement attached hereto as Exhibit D, to the extent and in the manner hereinafter set forth, in right of payment to the prior payment in full of all the Company's Senior Indebtedness (as defined herein).

10.1 SENIOR INDEBTEDNESS. As used in the Note, the term "Senior Indebtedness" shall mean the principal of and unpaid accrued interest on: (a) all indebtedness of the Company to banks, insurance companies or other financial institutions regularly engaged in the business

of lending money, which is for money borrowed by the Company (whether or not secured), and (b) any such indebtedness or any debentures, notes or other evidence of indebtedness issued in exchange for such Senior Indebtedness, or any indebtedness arising from the satisfaction of such Senior Indebtedness by a guarantor.

10.2 DEFAULT ON SENIOR INDEBTEDNESS. If there should occur any receivership, insolvency, assignment for the benefit of creditors, bankruptcy, reorganization or arrangements with creditors (whether or not pursuant to bankruptcy or other insolvency laws), sale of all or substantially all of the assets, dissolution, liquidation or any other marshalling of the assets and liabilities of the Company, or if the Note shall be declared due and payable upon the occurrence of an Event of Default with respect to any Senior Indebtedness, then (a) no amount shall be paid by the Company in respect of the principal of or interest on the Note at the time outstanding, unless and until the principal of and interest on the Senior Indebtedness then outstanding shall be paid in full, and (b) no claim or proof of claim shall be filed with the Company by or on behalf of the Holder of the Note that shall assert any right to receive any payments in respect of the principal of and interest on the Note, except subject to the payment in full of the principal of and interest on all of the Senior Indebtedness then outstanding. If there occurs an Event of Default that has been declared in writing with respect to any Senior Indebtedness, or in the instrument under which any Senior Indebtedness is outstanding, permitting the holder of such Senior Indebtedness to accelerate the maturity thereof, then, unless and until such Event of Default shall have been cured or waived or shall have ceased to exist, or all Senior Indebtedness shall have been paid in full, no payment shall be made in respect of the principal of or interest on the Note, unless within three (3) months after the happening of such Event of Default, the maturity of such Senior Indebtedness shall not have been accelerated.

10.3 EFFECT OF SUBORDINATION. Subject to the rights, if any, of the holders of Senior Indebtedness under this Section 10 to receive cash, securities or other properties otherwise payable or deliverable to the Holder of the Note, nothing contained in this Section 10 shall impair, as between the Company and the Holder, the obligation of the Company, subject to the terms and conditions hereof, to pay to the Holder the principal hereof and interest hereon as and when the same become due and payable, or shall prevent the Holder of the Note, upon default hereunder, from exercising all rights, powers and remedies otherwise provided herein or by applicable law.

10.4 SUBROGATION. Subject to the payment in full of all Senior Indebtedness and until the Note shall be paid in full, the Holder shall be subrogated to the rights of the holders of Senior Indebtedness (to the extent of payments or distributions previously made to such holders of Senior Indebtedness pursuant to the provisions of Section 10.2 hereof) to receive payments or distributions of assets of the Company applicable to the Senior Indebtedness. No such payments or distributions applicable to the Senior Indebtedness shall, as between the Company and its creditors, other than the holders of Senior Indebtedness and the Holder, be deemed to be a payment by the Company to or on account of the Note; and for the purposes of such subrogation, no payments or distributions to the holders of Senior Indebtedness to which the Holder would be entitled except for the provisions of this Section 10 shall, as between the Company and its creditors, other than the holders of Senior Indebtedness and the

Holder, be deemed to be a payment by the Company to or on account of the Senior Indebtedness.

10.5 UNDERTAKING. By its acceptance of the Note, the Holder agrees to execute and deliver such documents as may be reasonably requested from time to time by the Company or the lender of any Senior Indebtedness in order to implement the foregoing provisions of this Section 10.

11. CONVERSION OF NOTE.

11.1 CONVERSION PRIVILEGE AND CONVERSION PRICE. Subject to and upon compliance with the provisions of this Section 11, at the option of Abbott at any time and at Abbott's sole discretion without regard to the price of the Common Stock and the Conversion Price (as defined herein), Note may be converted at the principal amount thereof, into fully paid and nonassessable shares of Common Stock at the Conversion Price, in effect at the time of conversion. Such conversion right shall expire at the close of business on August 19, 2003. The price at which shares of Common Stock shall be delivered upon conversion (the "Conversion Price") shall be initially * per share of Common Stock. The Conversion Price shall be adjusted in certain instances as provided in this Section 11.

11.2 EXERCISE OF CONVERSION PRIVILEGE. In order to exercise the conversion privilege, Abbott shall surrender the Note duly endorsed or assigned to the Company or in blank, at any office or agency of the Company maintained for that purpose, accompanied by written notice of conversion in the form provided on the Note (or such other notice as is acceptable to the Company) at such office or agency that Abbott elects to convert such Note. Upon conversion the Company shall pay interest accrued but unpaid on the Note surrendered for conversion through the date of such conversion.

The Note shall be deemed to have been converted immediately prior to the close of business on the day of surrender of the whole portion of the principal amount thereof for conversion in accordance with the foregoing provisions, and at such time the rights of Abbott under the Note shall cease, and the Person or Persons entitled to receive the Common Stock issuable upon conversion shall be treated for all purposes as the record holder or holders of such Common Stock at such time. As promptly as practicable on or after the conversion date, the Company shall issue and shall deliver at such office or agency a certificate or certificates for the number of duly authorized, validly issued, fully paid and nonassessable shares of Common Stock issuable upon conversion, together with payment in lieu of any fraction of a share, as provided in Section 11.3 hereof.

11.3 FRACTIONS OF SHARES. No fractional shares of Common Stock shall be issued upon conversion of the Note. Instead of any fractional share of Common Stock which would otherwise be issuable upon the conversion of the Note, the Company shall pay a cash adjustment in respect of such fraction of a share of Common Stock in an amount equal to the remaining amount which is not converted by reason of this Section 11.3.

11.4 ADJUSTMENT OF CONVERSION PRICE.

(a) In case the Company shall pay or make a dividend or other distribution on any class of capital stock of the Company in Common Stock, the Conversion Price in effect at the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be reduced by multiplying such Conversion Price by a fraction the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination. For the purposes of this Section 11.4(a), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

(b) In case the Company shall issue rights, options or warrants to all holders of its Common Stock (not being available on an equivalent basis to Abbott upon conversion) entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the current market price per share of the Common Stock (determined as provided in Section 11.4(h) hereof) on the date fixed for the determination of stockholders entitled to receive such rights, options or warrants (other than pursuant to a dividend reinvestment plan), the Conversion Price in effect at the opening of business on the day following the date fixed for such determination shall be reduced to a price (calculated to the nearest cent) determined by multiplying such Conversion Price by a fraction the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock which the aggregate consideration received by the Company for the total number of additional shares of Common Stock so offered for subscription or purchase would purchase at such Conversion Price in effect immediately prior to the date fixed for such determination and the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for subscription or purchase, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination. For purposes of calculating the Conversion Price in this Section 11.4(b), the number of shares of Common Stock outstanding immediately prior to the date fixed for such determination of rights, options or warrants shall be calculated as if all shares had been fully converted into shares of Common Stock. Also, for the purposes of this Section 11.4(b), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not issue any rights, options or warrants in respect of shares of Common Stock held in the treasury of the Company.

(c) In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Conversion Price in effect at the opening of

business on the day following the day upon which such subdivision becomes effective shall be proportionately reduced, and, conversely, in case outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately increased, such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness or assets (including securities, but excluding any rights, options or warrants referred to in Section 11.4(b) hereof, any dividend or distribution paid exclusively in cash and any dividend or distribution referred to in Section 11.4), the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the close of business on the date fixed for the determination of stockholders entitled to receive such distribution by a fraction the numerator of which shall be the current market price per share (determined as provided in Section 11.4(h)) of the Common Stock on the date fixed for such determination less the then fair market value (as determined by an independent majority of the Board of Directors, whose determination shall be conclusive and described in a board resolution) of the portion of the assets or evidences of indebtedness so distributed applicable to one share of Common Stock and the denominator shall be such current market price per share of the Common Stock, such adjustment to become effective immediately prior to the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such distribution. In any case in which this Section 11.4(d) is applicable, Section 11.4(b) hereof shall not be applicable.

(e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock cash (excluding any cash that is distributed upon a merger or consolidation to which Section 11.10 hereof applies or as part of a distribution referred to in paragraph (d) of this Section 11.4) in an aggregate amount that, combined together with (i) the aggregate amount of any other distributions to all holders of its Common Stock made exclusively in cash within the twelve (12) months preceding the date of payment of such distribution and in respect of which no adjustment pursuant to this paragraph (e) has been made and (ii) the aggregate of any cash plus the fair market value (as determined by an independent majority of the Board of Directors, whose determination shall be conclusive and described in a Board Resolution) of consideration payable in respect of any tender offer by the Company or any of its Subsidiaries for all or any portion of the Common Stock concluded within the twelve (12) months preceding the date of payment of such distribution and in respect of which no adjustment pursuant to paragraph (f) of this Section 11.4 has been made, exceeds ten percent (10%) of the product of the current market price per share of the Common Stock on the date for the determination of holders of shares of Common Stock entitled to receive such distribution multiplied by the number of shares of Common Stock outstanding on such date, then, and in each such case, immediately after the close of business on such date for determination, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the close of

business on the date fixed for determination of the stockholders entitled to receive such distribution by a fraction (A) the numerator of which shall be equal to the current market price per share of the Common Stock (determined as provided in paragraph (h) of this Section 11.4) on the date fixed for such determination less an amount equal to the quotient of (x) the excess of such combined amount over such ten percent (10%) and (y) the number of shares of Common Stock outstanding on such date for determination and (B) the denominator of which shall be equal to the current market price per share of the Common Stock (determined as provided in paragraph (h) of this Section 11.4) on such date for determination.

(f) In case a tender offer made by the Company or any Subsidiary for all or any portion of the Common Stock shall expire and such tender offer (as amended upon the expiration thereof) shall require the payment to stockholders (based on the acceptance (up to any maximum specified in the terms of the tender offer) of Purchased Shares (as defined herein)) of an aggregate consideration having a fair market value (as determined by an independent majority of the Board of Directors, whose determination shall be conclusive and described in a board resolution) that combined together with (i) the aggregate of the cash plus the fair market value (as determined by an independent majority of the Board of Directors, whose determination shall be conclusive and described in a board resolution), as of the expiration of such tender offer, of consideration payable in respect of any other tender offer, by the Company or any Subsidiary for all or any portion of the Common Stock expiring within the twelve (12) months preceding the expiration of such tender offer and in respect of which no adjustment pursuant to this paragraph (f) has been made and (ii) the aggregate amount of any distributions to all holders of the Common Stock made exclusively in cash within twelve (12) months preceding the expiration of such tender offer and in respect of which no adjustment pursuant to paragraph (e) of this Section 11.4 has been made, exceeds ten percent (10%) of the product of the current market price per share of the Common Stock (determined as provided in paragraph (h) of this Section 11.4) as of the last time (the "Expiration Time") tenders could have been made pursuant to such tender offer (as it may be amended) multiplied by the number of shares of Common Stock outstanding (including any tendered shares) on the Expiration Time, then, and in each such case, immediately prior to the opening of business on the day after the date of the Expiration Time, the Conversion Price shall be adjusted so that the same shall equal the price determined by multipying the Conversion Price in effect immediately prior to the close of business on the date of the Expiration Time by a fraction (A) the numerator of which shall be equal to (1) the product of (a) the current market price per share of the Common Stock (determined as provided in paragraph (h) of this Section 11.4) on the date of the Expiration Time and (b) the number of shares of Common Stock outstanding (including any tendered shares) on the Expiration Time, less (2) the amount of cash plus the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer) of Purchased Shares, and (B) the denominator of which shall be equal to the product of (1) the current market price per share of the Common Stock (determined as provided in paragraph (h) of this Section 11.4) as of the Expiration Time and (2) the number of shares of Common Stock outstanding (including any tendered shares) as of the Expiration Time less the number of all shares validly tendered and not withdrawn as of the Expiration Time (the shares deemed so accepted up to any such

maximum, being referred to as the "Purchased Shares").

(g) The reclassification of Common Stock into securities including securities other than Common Stock (other than any reclassification upon a consolidation or merger to which Section 11.10 hereof applies) shall be deemed to involve (i) a distribution of such securities other than Common Stock to all holders of Common Stock (and the effective date of such reclassification shall be deemed to be "the date fixed for the determination of stockholders entitled to receive such distribution" and the "date fixed for such determination" within the meaning of paragraph (d) of this Section 11.4), and (ii) a subdivision or combination, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number of shares of Common Stock outstanding immediately thereafter (and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision becomes effective" or "the day upon which such combination becomes effective," as the case may be, and "the day upon which such subdivision or combination becomes effective" within the meaning of paragraph (c) of this Section 11.4).

(h) For the purpose of any computation under paragraphs (d), (e) and (f) of this Section 11.4, the current market price per share of Common Stock on any date shall be deemed to be the average of the daily Closing Prices for the five (5) consecutive trading days selected by the Company commencing not more than twenty (20) trading days before, and ending not later than, the earlier of the day in question and the day before the "ex" date with respect to the issuance or distribution requiring such computation. The "Closing Price" for each trading day shall be the reported last sale price regular way or, in case no such reported sale takes place on such day, the average of the reported closing bid and asked prices regular way, in either case on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the National Association of Securities Dealers Automated Quotations system ("Nasdaq") National Market System ("Nasdaq National Market") or, if not listed or admitted to trading on Nasdaq National Market, on Nasdaq, or, if the Common Stock is not listed or admitted to trading on any national securities exchange or Nasdaq National Market or quoted on Nasdaq, the average of the closing bid and asked prices in the over-the-counter market as furnished by any New York Stock Exchange member firm selected from time to time by the Company for that purpose, or, if the Common Stock does not have any closing bid and asked prices in the over-the-counter market during the relevant period of time, the fair market value per share as determined by an independent majority of the Board of Directors as of the most recent available month-end determined pursuant to GAAP. For purposes of this paragraph, the term "'ex' date," when used with respect to any issuance or distribution, shall mean the first date on which the Common Stock trades regular way on such exchange or in such market without the right to receive such issuance or distribution.

(i) No adjustment in the Conversion Price shall be required unless such adjustment (plus any adjustments not previously made by reason of this paragraph (i)) would require an increase or decrease of at least one percent (1%) in such price; provided, however, that any adjustments which by reason of this paragraph (i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this paragraph (i) shall be made to the nearest cent.

(j) The Company may make such reductions in the Conversion Price, in addition to those required by paragraphs (a), (b), (c), (d), (e) and (f) of this Section 11.4, as it considers to be advisable in order to avoid or diminish any income tax to any holders of shares of Common Stock resulting from any dividend or distribution of stock or issuance of rights or warrants to purchase or subscribe for stock or from any event treated as such for federal income tax purposes or for any other reasons. An independent majority of the Board of Directors shall have the power to resolve any ambiguity or correct any error in this Section 11.4 and its actions in so doing shall be final and conclusive.

11.5 NOTICE OF ADJUSTMENTS OF CONVERSION PRICE. Whenever the Conversion Price is adjusted as herein provided:

(a) the Company shall compute the adjusted Conversion Price in accordance with Section 11.4 hereof and shall prepare a certificate signed by the Chief Financial Officer of the Company setting forth the adjusted Conversion Price and showing in reasonable detail the facts upon which such adjustment is based, and such certificate shall forthwith be filed at the offices of the Company.

(b) a notice stating that the Conversion Price has been adjusted and setting forth the adjusted Conversion Price shall forthwith be required, and as soon as practicable after it is required, such notice shall be mailed by the Company to the Holder in accordance with the terms of Section 14.2 herein.

11.6 NOTICE OF CERTAIN CORPORATE ACTION. In case:

(a) the Company shall declare a dividend (or any other distribution) on its Common Stock payable otherwise than in cash out of its earned surplus; or

(b) the Company shall authorize the granting to the holders of its Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any other rights; or

(c) of any reclassification of the Common Stock of the Company (other than a subdivision or combination of its outstanding shares of Common Stock), or of any consolidation, merger or share exchange to which the Company is a party and for which approval of any stockholders of the Company is required, or of the sale or transfer of all or substantially all of the assets of the Company; or

(d) of the voluntary or involuntary dissolution, liquidation or winding up of the Company;

then the Company shall cause to be filed at the offices of the Company, and shall cause to be mailed to the Holder at its last addresses as it shall appear in the Note Register, at least twenty (20) days (or ten (10) days in any case specified in clause (a) or (b) of this Section 11.6) prior to the applicable record or effective date hereinafter specified, a notice stating (x)

the date on which a record is to be taken for the purpose of such dividend, distribution, rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, rights or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, share exchange, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, share exchange, sale, transfer, dissolution, liquidation or winding up. Neither the failure to give such notice nor any defect therein shall affect the legality or validity of the proceedings described in clauses (a) through (d) of this Section11.6.

11.7 COMPANY TO RESERVE COMMON STOCK. The Company shall at all times reserve and keep available out of its authorized but unissued Common Stock, for the purpose of effecting the conversion of the Note or the Credit Facility Note, the full number of shares of Common Stock then issuable upon the conversion of the Note or the Credit Facility Note.

11.8 TAXES ON CONVERSIONS. The Company will pay any and all taxes that may be payable in respect of the issuance or delivery of shares of Common Stock on conversion of the Note pursuant hereto or the Credit Facility Note pursuant to the Credit Agreement. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that of Abbott and no such issuance or delivery shall be made unless and until the Person requesting such issuance has paid to the Company the amount of any such tax, or has established to the satisfaction of the Company that such tax has been paid.

11.9 COVENANT AS TO COMMON STOCK. The Company covenants that all shares of Common Stock which may be issued upon conversion of the Note or the Credit Facility Note will upon issuance be fully paid and nonassessable and, except as provided in Section 11.8 hereof, the Company will pay all taxes, liens and charges with respect to the issue thereof.

11.10 PROVISIONS IN CASE OF CONSOLIDATION, MERGER OR SALE OF ASSETS. In case of any Change of Control of the Company, the Company will notify Abbott at least thirty (30) days prior to the closing of the transaction that will effect the Change of Control, and Abbott may convert the Note in accordance with Section 11 hereof prior to the transaction or declare an Event of Default and accelerate the Note and terminate this Agreement in accordance with Section 11 hereof.

11.11 TRANSFER AND EXCHANGE OF NOTE. The Note may be freely transferred or assigned by Abbott without the consent of the Company. Such transfer and assignment shall be made in accordance with applicable federal and state securities laws. At any time and from time to time, upon not less than ten (10) days notice to that effect given by Abbott and, upon surrender of the Note at the Company's office by Abbott, the Company will deliver in exchange therefor, without expense to Abbott, except as set forth below, one Note for the same aggregate principal amount as the then unpaid principal amount of the Note so surrendered, provided such Note shall be in the amount of the full principal amount of the

Note and there shall be no right to divide the Note, dated as of the date to which interest has been paid on the Note so surrendered or, if such surrender is prior to the payment of any interest thereon, then dated as of the date of issue, registered in the name of such Person as may be designated by Abbott, and otherwise of the same form and tenor as the Note so surrendered for exchange. The Company may require the payment of a sum sufficient to cover any stamp tax or governmental charge imposed upon such exchange or transfer.

11.12 LOSS, THEFT, MUTILATION OR DESTRUCTION OF NOTE. Upon receipt of evidence satisfactory to the Company of the loss, theft, mutilation or destruction of the Note, the Company will make and deliver without expense to Abbott thereof, a new Note, of like tenor, in lieu of such lost, stolen, mutilated or destroyed Note.

11.13 EXPENSES, STAMP TAX INDEMNITY. The Company agrees to pay duplicating and printing costs and charges for shipping the Note, adequately insured to Abbott's home office or at such other place as Abbott may designate, and all reasonable expenses of Abbott (including, without limitation, the reasonable fees and expenses of any financial advisor to Abbott) relating to any proposed or actual amendment, waivers or consents pursuant to the provisions hereof, including, without limitation, any proposed or actual amendments, waivers, or consents resulting from any work-out, re-negotiations or restructuring relating to the performance by the Company of its obligations under this Agreement and the Note. The Company also agrees that it will pay and hold Abbott harmless against any and all liabilities with respect to stamp and other taxes, if any, which may be payable or which may be determined to be payable in connection with the execution and delivery of this Agreement or the Note, whether or not the Note is then outstanding. The Company agrees to protect and indemnify Abbott against any liability for any and all brokerage fees and commissions payable or claimed to be payable to any Person (other than any Person engaged by a Purchaser) in connection with the transactions contemplated by this Agreement.

11.14 CANCELLATION OF CONVERTED NOTE. The Note delivered for conversion shall be canceled by or at the direction of the Company.

12. RIGHT OF FIRST OFFER.

12.1 THE RIGHT OF FIRST OFFER. Subject to the terms and conditions specified in this Section 12, the Company covenants not to sell or issue any New Securities (as defined herein) without complying with the provisions of this Section 12.

12.2 GRANT. If the Company proposes to sell or issue any New Securities to any Person, the Company hereby grants to Abbott a right of first offer to purchase a pro rata share of New Securities that the Company may, from time to time, propose to sell and issue. For purposes of this Section 12, Abbott's pro rata share of New Securities is the ratio of the number of shares of Common Stock owned by Abbott (assuming full conversion of the Note and the Credit Facility Note if issued and outstanding) immediately prior to the issuance of New Securities to the total number of shares of Common Stock outstanding immediately prior to the issuance of New Securities (assuming full conversion of all convertible securities).

12.3 DEFINITION OF NEW SECURITIES. "New Securities" shall mean any capital stock (including Common Stock) of the Company whether now authorized or not, and rights, options or warrants to purchase capital stock of the Company, and securities of any type whatsoever that are, or may become, convertible into capital stock of the Company; provided, however, that the term "New Securities" does not include (a) shares of Common Stock issued upon conversion of the Note or the Credit Facility Note, (b)shares of Common Stock (or options therefor) issued or sold to employees, directors, consultants or advisors of the Company for the primary purpose of soliciting or retaining their services, provided each such person executes an agreement, in substantially the form as approved by the Board of Directors, (c) securities issued pursuant to the acquisition of another Person or business segment of any such Person by the Company by merger, purchase of substantially all the assets or other reorganization whereby the Company will own more than fifty percent (50%) of the voting power of such business entity or business segment, (d)any borrowings, direct or indirect, from financial institutions or other Persons by the Company, whether or not presently authorized, including any type of loan or payment evidenced by any type of debt instrument, provided such borrowings do not have any equity features including warrants, options or other rights to purchase capital stock and are not convertible into capital stock of the Company, (e)securities issued to vendors or customers or to other persons in similar commercial situations with the Company if such issuance is approved by the Board of Directors, (f)securities issued in connection with any stock split, stock dividend or recapitalization of the Company in which all holders of Common Stock are entitled to receive their proportionate share of such issuance, and (g)any right, option or warrant to acquire any security convertible into the securities exempted from the definition of New Securities pursuant to clauses (a) through f) above.

12.4 EXERCISE OF RIGHT OF FIRST OFFER. If the Company proposes to issue New Securities, the Company shall give written notice to Abbott stating (a) its bona fide intention to offer or issue New Securities, (b) the number of such New Securities to be offered, (c) the price and general terms upon which it proposes to offer such New Securities, and (d) the identity of the Persons or classes of Persons to whom such New Securities are proposed to be issued. Within twenty (20) calendar days after receipt of such notice, Abbott may elect to purchase or obtain, at the price and on the terms specified in the notice, up to its pro rata share of such New Securities, as such pro rata share is calculated pursuant to Section 12.2 hereof, in the event the Company proposes to issue such New Securities to Persons, by giving written notice to the Company and stating therein the quantity of New Securities to be purchased. Abbott shall retain its right of first offer pursuant to Section 12 hereof until (i) this Agreement terminates or (ii) upon a Change of Control described in Section 11.10 hereof and shall not be affected in any way by any previous refusals to exercise its right of first offer and to purchase any New Securities.

12.5 TERMINATION OF RIGHT OF FIRST OFFER. If Abbott does not fully exercise its right to purchase or obtain all such New Securities that Abbott has the right to purchase or obtain pursuant to Section 12.4 hereof, the Company may, during the one hundred twenty (120) day period following the expiration of the period provided in Section 12.4 hereof, offer the remaining unsubscribed New Securities to the Persons or classes of Person specified in the

notice sent to Abbott pursuant to Section 12.4 hereof, at a price not less than that, and upon terms no more favorable to the offeree than those, specified in such notice. If the Company does not enter into an agreement for the sale of the New Securities within such period, or if such agreement is not consummated within one hundred twenty (120) days of the execution thereof, the right provided hereunder shall be deemed to be revived and such New Securities shall not be offered unless first reoffered to Abbott in accordance herewith.

13. INDEMNIFICATION.

13.1 INDEMNIFICATION BY THE COMPANY.

(a) The Company agrees to defend and indemnify Abbott, its Subsidiaries and their respective Affiliates, directors, officers, employees and shareholders, and their respective successors and assigns (collectively, the "Abbott Indemnitees"), against and hold each of them harmless from any and all losses, liabilities, taxes, claims, suits, proceedings, demands, judgments, damages, expenses and costs, including, without limitation, reasonable counsel fees, costs and expenses incurred in the investigation, defense or settlement of any claims covered by this indemnity (in this Section 13 collectively, the "Indemnifiable Damages") which any such indemnified person may suffer or incur by reason of (i) the inaccuracy or breach of any of the representations, warranties and covenants of the Company contained in this Agreement or any documents, certificate or agreement delivered pursuant hereto; or (ii) any claim by any Person under any provision of any federal or state securities law relating to any transaction, event, act or omission of or by the Company occurring before or after the Closing Date; provided, however, that the total indemnity shall not exceed the consideration received by the Company. Nothing herein shall limit in any way Abbott's remedies in the event of breach by the Company of any of its covenants or agreements hereunder which are not also a representation or warranty or for willful fraud or intentionally deceptive material misrepresentation or omission by the Company in connection herewith or with the transactions contemplated hereby.

(b) Without limiting the generality of the foregoing, with respect to the measurement of Indemnifiable Damages, Abbott (including its Subsidiaries and their respective Affiliates, directors, officers, employees and shareholders) and the Company and the Affiliates of any of them, shall have the right to be put in the same financial position as they would have been in had each of the representations, warranties and covenants of the Company been true and accurate or the same said parties had not breached any such covenants or had any of the events, claims or liabilities referred to in Section 13.1(a) not occurred or been made or incurred.

(c) Any indemnitee under this Agreement may not seek recovery under the indemnities set forth herein unless and until the Indemnifiable Damages of such party are greater than Twenty-Five Thousand Dollars ($25,000) measured on an aggregate basis for all indemnitees, at which point such indemnity shall apply to all Indemnifiable Damages.

13.2 INDEMNIFICATION BY ABBOTT. After the Closing Date, Abbott shall, as to those representations, warranties, covenants and agreements which are herein made or agreed to by Abbott, indemnify and hold harmless the Company's officers and directors and in respect of:

(a) any damage, deficiency, losses or costs incurred by the Company resulting from any material misrepresentation or breach of warranty or any non-fulfillment of any covenant or agreement on the part of Abbott under this Agreement;

(b) any claim by any person under any provision of any federal or state securities laws relating to any event, act or omission of or by Abbott in connection with any tender offer by Abbott; and

(c) any claim, action, suit, proceeding, demand, judgment, assessment, cost and expense, including reasonable counsel fees, incident to the foregoing; provided that the total indemnity shall not exceed * .

Abbott shall reimburse the Company for any liabilities, damages, deficiencies, claims, actions, suits, proceedings, demands, judgments, assessments, costs and expenses to which this Section 13.2 relates only if a claim for indemnification is made by the Company within the period ending at * .

13.3 INDEMNIFICATION PROCEDURE. A party seeking indemnification (the "Indemnitee") shall use its commercially reasonable best efforts to minimize any liabilities, damages, deficiencies, claims, judgments, assessments, costs and expenses in respect of which indemnity may be sought under this Agreement. The Indemnitee shall give prompt written notice to the party from whom indemnification is sought (the "Indemnitor") of the assertion of a claim for indemnification; provided, however, that the Indemnitee's failure to notify the Indemnitor shall not excuse the Indemnitor's obligation to indemnify the Indemnitee except to the extent that such failure prejudices the Indemnitor's defense of any such claim. No such notice of assertion of a claim shall satisfy the requirements of this Section 13 unless it describes in reasonable detail and in good faith the facts and circumstances upon which the asserted claim for indemnification is based. If any action or proceeding shall be brought in connection with any liability or claim to be indemnified hereunder, the Indemnitee shall provide the Indemnitor twenty (20) calendar days to decide whether to defend such liability or claim. During such period, the Indemnitee shall take all necessary steps to protect the interests of itself and the Indemnitor, including the filing of any necessary responsive pleadings, the seeking of emergency relief or other action necessary to maintain the status quo, subject to reimbursement from the Indemnitor of its expenses in doing so. The Indemnitor shall (with, if necessary, reservation of rights) defend such action or proceeding at its expense, using counsel selected by the insurance company insuring against any such claim and undertaking to defend such claim, or by other counsel selected by it and approved by the Indemnitee, which approval shall not be unreasonably withheld or delayed. The Indemnitor shall keep the Indemnitee fully apprised at all times of the status of the defense and shall consult with the Indemnitee prior to the settlement of any indemnified matter. Idemnitee agrees to use reasonable efforts to cooperate with Indemnitor in connection with its defense of indemnifiable claims. In the event the Indemnitee has a claim or claims against any third party growing out of or connected with the indemnified matter, then upon receipt of indemnification, the Indemnitee shall fully assign to the Indemnitor the entire claim or claims to the extent of the indemnification actually paid by the Indemnitor and the

Indemnitor shall thereupon be subrogated with respect to such claim or claims of the Indemnitee.

14. MISCELLANEOUS.

14.1 POWERS AND RIGHTS NOT WAIVED; REMEDIES CUMULATIVE. No delay or failure on the part of Abbott in the exercise of any power or right shall operate as a waiver thereof; nor shall any single or partial exercise of the same preclude any other or further exercise thereof, or the exercise of any other power or right, and the rights and remedies of Abbott are cumulative to, and are not exclusive of, any rights or remedies Abbott would otherwise have.

14.2 NOTICE. Except as otherwise expressly provided herein, any notice, consent or document required or permitted hereunder shall be given in writing and it or any certificates or other documents delivered hereunder shall be deemed effectively given or delivered (as the case may be) upon personal delivery (professional courier permissible) or when mailed by receipted United States certified mail delivery, or five (5) business days after deposit in the United States mail. Such certificates, documents or notice may be personally delivered to an authorized representative of the Company or Abbott (as the case may be) at any address where such authorized representative is present and otherwise shall be sent to the following address:

If to the Company: Micro Therapeutics, Inc.
1062 Calle Negocio #F
San Clemente, CA 92673
Attention: George Wallace
Telecopy No.: (949) 361-0210

With a copy to: Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, CA 92660
Attention: Bruce Feuchter
Telecopy No.: (949) 725-4100

If to Abbott: Abbott Laboratories
D-960, AP30
200 Abbott Park Road
Abbott Park, IL 60064-3500
Attention: President, Hospital Products Division
Telecopy No.: (847) 937-0805

With a copy to: Abbott Laboratories
Legal Division
D-322, AP6D
100 Abbott Park Road
Abbott Park, IL 60064-3500
Attn: Divisional Vice President,

Domestic Legal Operations
Telecopy No.: (847) 938-1206

14.3 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns and shall be binding upon and inure to the benefit of Abbott and its successors and assigns; provided, however, that neither the Company nor Abbott shall assign this Agreement or any of its rights, duties or obligations hereunder without the prior written consent of the other party which consent shall not be unreasonably withheld, and provided further, Abbott may assign its rights hereunder after July31, 1999 without the Company's prior written consent.

14.4 SURVIVAL OF COVENANTS AND REPRESENTATIONS. All covenants, representations and warranties made by the Company herein and in any certificates delivered pursuant hereto, whether or not in connection with the Closing Date, shall survive the closing and the delivery of this Agreement and the Note.

14.5 SEVERABILITY. Should any part of this Agreement for any reason be declared invalid or unenforceable, such decision shall not affect the validity or enforceability of any remaining portion, which remaining portion shall remain in force and effect as if this Agreement had been executed with the invalid or unenforceable portion thereof eliminated and it is hereby declared the intention of the parties hereto that they would have executed the remaining portion of this Agreement without including therein any such part, parts or portion which may, for any reason, be hereafter declared invalid or unenforceable.

14.6 WAIVER OF CONDITIONS. If on the Closing Date, either party hereto fails to fulfill each of the conditions specified in Section 8 hereof, the other party may thereupon elect to be relieved of all further obligations under this Agreement. Without limiting the foregoing, if the conditions specified in Section 8 have not been fulfilled, the other party may waive compliance by such party with any such condition to such extent as such party may in its sole discretion determine. Nothing in this Section 14.6 shall operate to relieve either party of any obligations hereunder or to waive any of the other party's rights against such party.

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

14.8 GOVERNING LAW. This Agreement and the Note issued and sold hereunder shall be governed by and construed in accordance with Delaware law, without regard to the conflict of laws provisions thereof.

14.9 CAPTIONS. The descriptive headings of the various sections or parts of this Agreement are for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

14.10 DISPUTE RESOLUTION. Disputes shall be resolved as provided in Exhibit F hereto.

IN WITNESS WHEREOF, the Company and Abbott by their duly authorized officers, have each caused this Agreement to be executed as of the date first written above.

ABBOTT:
ABBOTT LABORATORIES

By:
Title:

COMPANY:
MICRO THERAPEUTICS, INC.

By:
Title:

EXHIBIT A
FORM OF 5% CONVERTIBLE SUBORDINATED NOTE
MICRO THERAPEUTICS, INC.
5% Convertible Subordinated Note, due August 19, 2003

No. CSN-2 San Clemente, California
$5,000,000 August 19, 1998

Micro Therapeutics, Inc., a corporation duly organized and existing under the laws of the State of Delaware (the "Company"), for value received, hereby promises to pay to Abbott Laboratories, an Illinois corporation ("Abbott"), or its registered assigns (the "Holder"), the principal sum of Five Million Dollars ($5,000,000) on August 19, 2003 (the "Maturity"), and to pay interest (i) on the unpaid principal balance thereof from the date of this Note at the rate of five percent (5%) per annum, payable quarterly in arrears on January 31, April 30, July 31 and October 31 of each year (each, an "Interest Payment Date") (commencing October 31, 1998) until such unpaid balance shall become due and payable (whether at Maturity, or by declaration, acceleration or otherwise) and (ii) on each overdue payment of principal or any overdue payment of interest, at a rate per annum equal to ten percent (10%).

The interest and principal payments payable with respect to this Note, on any Interest Payment Date, at Maturity or by declaration, acceleration or otherwise, pursuant to the Note Agreement (as defined herein), shall be paid to Abbott in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Such interest and principal payments shall be made to Abbott in accordance with the provisions of the Note Agreement.

This Note is the sole issue of a 5% Convertible Subordinated Note due August 19, 2003 of the Company issued in an aggregate principal amount of Five Million Dollars ($5,000,000)

pursuant to the Convertible Subordinated Note Agreement, dated August 12, 1998, by and between the Company and Abbott (the "Note Agreement"). The Holder of this Note is entitled to the benefits of the Note Agreement, and may enforce the Note Agreement and exercise the remedies provided for thereby or otherwise available in respect thereof.

This Note may be transferred or assigned by Abbott as provided in the Note Agreement. As provided in the Note Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed by Abbott or Abbott's attorney duly authorized in writing, a new Note for a like aggregate principal amount and otherwise of similar tenor, will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the Holder and owner hereof for the purpose of receiving payments and for all other purposes, and the Company shall not be affected by any notice to the contrary.

In the case of an Event of Default (as defined in the Note Agreement), the principal of this Note in certain circumstances shall become due and payable and in other circumstances may be declared and become due and payable in the manner and with the effect provided in the Note Agreement.

This Note is subject to conversion into Common Stock pursuant to the terms and conditions of the Note Agreement and conversion shall be evidenced by a Notice of Conversion as attached hereto. This Note is not subject to prepayment or redemption by the Company prior to its expressed Maturity.

The indebtedness evidenced by this Note is, to the extent provided in the Note Agreement, subordinate and subject in right of payment to the prior payment in full of all Senior Indebtedness (as defined in the Note Agreement), and this Note is issued subject to the provisions of the Note Agreement with respect thereto. Each Holder of this Note, by accepting the same, agrees to and shall be bound by such provisions.
No reference herein to the Note Agreement and no provision of this Note or of the Note Agreement shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Note at the times, place and rate, and in the coin or currency, herein prescribed or to convert this Note as provided in the Note Agreement. terms used in this Note which are defined in the Note Agreement shall have the meanings assigned to them in the Note Agreement.

This Note and the Note Agreement are governed by and construed in accordance with the law of the State of Delaware.

IN WITNESS WHEREOF, the Company caused this instrument to be duly executed under its corporate seal.

Dated: August 19, 1998

MICRO THERAPEUTICS, INC.

By:
Its:

ATTEST:

By:

Its:

NOTICE OF CONVERSION

The undersigned Holder of this Note hereby irrevocably exercises the option to convert the principal amount of this Note, into shares of Common Stock in accordance with the terms of the Note Agreement, and directs that the shares issuable and deliverable upon such conversion, together with any check in payment for fractional shares and any Note representing any unconverted principal amount hereof, be issued and delivered to the undersigned unless a different name has been indicated below. If shares or the Note are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto. Any amount required to be paid by the undersigned on account of interest accompanies this Note.

Social Security or other
Taxpayer Identification Number

Dated: _____

Signature

If shares or the Note are to be registered in the name of a Person other than the Holder, please print such Person's name and address:

Name

Street Address

City, State and Zip Code

EXHIBIT E
DISCLOSURE SCHEDULES
OF
MICRO THERAPEUTICS, INC. (THE "COMPANY")
TO
CONVERTIBLE SUBORDINATED NOTE AGREEMENT
BY AND BETWEEN
ABBOTT CORPORATION
AND
THE COMPANY
DATED AS OF AUGUST 12, 1998

SCHEDULE 3.1
SUBSIDIARIES

The Company has no subsidiaries.

SCHEDULE 3.2
AUTHORITY

The Company is duly licensed and qualified to do business in each jurisdiction in which its business is transacted. The Company is currently responding to inquiries made by the State of Illinois as part of the registration process in that state.

SCHEDULE 3.4
EQUITY INVESTMENTS

(i) The Company owns 1,002 shares of Cardiovascular Dynamics, Inc. common stock, which is an immaterial percentage of its currently outstanding common shares.
(ii) The Company owns 850,000 shares of Genyx Medical, Inc. common stock which is approximately 27% of its currently outstanding common shares.
(iii) The Company owns 2,000,000 shares of Enteric Medical Technologies, Inc. common stock which is approximately 46.5% of its currently outstanding common shares.

For all the investments disclosed above, the Company's cost basis, and the value at which such investments are carried on the Company's balance sheet in conformity with generally accepted principles, are not material.

SCHEDULE 3.8
BUSINESS CHANGES

(a) None.
(b) (i) As of July 31, 1998, under the Company's 1993 and 1996 Restricted Stock Purchase, Incentive Stock Option and Non-qualified Stock Option Plans (collectively, the "Plans"), there are currently outstanding incentive and non-qualified stock options to purchase a total of 1,140,769 shares of the Company's common stock, of which 294,452 shares are vested. In addition, 330,873 shares of common stock are available for issuance upon exercise of options to be granted under the Plans.

(ii) The Company issues shares of its common stock from time to time under its Employee Stock Purchase Plan as adopted under Section 423 of the Internal Revenue Code. The last issue date was June 30, 1998 at which time 13,495 shares were issued.

(iii) The Company has made a Restricted Stock commitment for 2,000 shares to a consultant pending completion of certain requirements as of August 31, 1998.

(c) (i) The Company intends to make expenditures to various departments and individuals within the University of California, Los Angeles, School of Medicine ("UCLA"), averaging approximately $30,000 per month, through December 31, 1998. In addition, the Company intends to make an unrestricted gift to the Department of Radiological Sciences at UCLA, up to a maximum of $150,000, in support of new laboratory facilities. Of such amount, $50,000 has been remitted through July 31, 1998.

(ii) On July 31, 1998, a signed copy of a building lease was delivered by the Company to the building's landlord, New Goodyear, LTD. Beginning on October 1, 1998 and expiring September 30, 2003, the five year, triple net lease for approximately 43,538 square feet has a monthly rental of $38,313.14 plus common area charges, subject to cost of living increases. Additionally, there are two options to extend the lease term for three years at an increased rent based on a cost of living index. The facility being leased is located in Irvine, CA and the Company intends to relocate its operations from its current facilities in San Clemente, CA to Irvine during the fourth quarter of 1998. Under the terms of the lease, the landlord has agreed to provide $150,000 of tenant improvements. The Company expects the total cost of such tenant improvements to be greater.

(iii) The Company has entered into a consulting agreement with Anderson Associates to provide architectural services related to the new building. Under the terms of the Consulting Agreement, fees for such services are not to exceed $61,000.

(iv) The Company has entered into a consulting agreement with Healthcare Documentation & Development, Inc. ("HDD") The consultant is to provide design, development and production of training modules for an estimated fee of $108,000, to be paid in three equal installments of $36,000.

(d) In conjunction with the signing of the building lease for the facility in Irvine, CA (refer to Disclosure Schedule 3.8 (c)), the Company was required to make two payments, each in the amount of $38,313.14, representing a security deposit and the October 1998 rent.

(e) None.

(f) None.

(g) The Company is considering entering into a $1 million bank credit facility, the proceeds of which would be used primarily for tenant improvements for the new facility (see disclosure on Disclosure Schedule 3.8 (c)) and other potential future capital expenditures.

(h) None.

(i) See disclosure on Disclosure Schedule 3.8 (c) and Disclosure Schedule 3.8(k).

(j) See disclosure on Disclosure Schedule 3.8 (c) and Disclosure Schedule 3.8(k).

(k) On July 8, 1998, the Company entered into a license agreement with Enteric Medical Technologies, Inc. ("Enteric"), pursuant to which the Company has granted an exclusive, worldwide license to Enteric to utilize certain of the Company's patent rights and rights under certain of the Company's patent applications relating to the design, manufacture and method of use of proprietary biomaterials and micro catheters, to commercially develop products utilizing such rights in connection with applications for gastrointestinal tract bulking, embolization or implantion procedures. The included applications for gastrointestinal tract bulking, embolization or implantation procedures shall mean procedures performed by access using endoscopic, open surgical, laparoscopic surgery, percutaneous or colonscopic as well as other developed procedures, but does not include access through the vascular, gynocological or urological systems all of which are excluded from the "Licensed Field," as defined in the license agreement. In connection with such license agreement, the Company acquired 2 million shares of Enteric common stock.

(m) None.

(n) None.

(o) None

SCHEDULE 3.9
INDEBTEDNESS

On November 17, 1997, the Company entered into a Convertible Subordinated Note Agreement with Guidant Corporation, under which the Company borrowed $5 million. The principal amount of the note is due in five years, and is convertible, at any time, at the option of the note holder into shares of the Company's Common Stock at a conversion price of $10.25 per share. The note bears interest at 5% per annum, which the Company has determined is lower that interest rates typically associated with similar debt instruments. Accordingly, as required by generally accepted accounting principals, the Company recorded a discount on the note of $974,328, resulting in an imputed interest over the term of the note of 10%. Such discount had an unamortized balance of $861,149 at July 31, 1998. Interest payments are due quarterly in arrears and commenced January 31, 1998.

On May 28, 1998, the Company received $2.5 million from Guidant Corporation pursuant to the achievement by the Company of a specified milestone defined in the Convertible Subordinated Note Agreement. Of this amount, $2 million is in the form of debt, bearing interest of 8% payable quarterly, with a maturity date of October 31, 2002. The remaining $500,000 was used to purchase 47,637 shares of the Company's common stock.

SCHEDULE 3.15
PROPRIETARY RIGHTS

(a) (i) Attached hereto as Schedule 3.15(a)(i) is a list of all of the Company's patents, patent applications, trademarks, trade names, service marks and copyrights owned or used by the Company or in which it has any rights or licenses, except for software used by the Company and generally available on the commercial

market, and all applications therefor.

(ii) The Company has entered into an Employee Confidential Information Agreement with each of its employees, a form of which is attached hereto as Schedule 3.15(a)(ii).

(iii) Pursuant to the terms of an Agreement dated June 21, 1993, by and between the Company and Andrew Cragg, M.D., a consultant of the Company, the Company has acquired the rights, which include patent rights, to certain technology relating to Valved Tip Angiographic Catheters and Thrombolytic Brush Catheters.

(iv) Pursuant to the terms of the following Consulting Agreements, the Consultant (as defined therein), has agreed to assign to the Company all right, title and interest that the Consultant may have or acquire (a) in and to any Proprietary Information (as defined therein), or (b) if not defined therein, in and to any ideas inventions, improvements, suggestions or copyrightable materials relating to the Consultant's work under the applicable agreement:

(1) Consulting Agreement dated November 1, 1994 and expiring June 1, 2001, between the Company and Barry Katzen, M.D.

(2) Consulting Agreement dated August 5, 1998 and expiring August 4, 1999 between the Company and Randy Werneth

(3) Consulting Agreement dated April 30, 1996 and expiring May 1, 1999, between the Company and Bart Dolmatch, M.D.

(4) Consulting Agreement dated August 1, 1998 and expiring July 31, 2001 between the Company and Scott Goodwin, M.D.

(5) Consulting Agreement dated June 2, 1998 and expiring June 2, 1999, between the Company and Mike Jones

(6) Consulting Agreement dated September 1, 1997 and expiring August 31, 1998, between the Company and Andrew Cragg, M.D.

(7) Consulting Agreement dated January 1, 1998 and expiring December 31, 1999, between the Company and Andrew Molyneux, M.D.

(8) Consulting Agreement dated October 9, 1996 and expiring October 8, 1999, between the Company and Mark Mewissen, M.D.

(9) Consulting Agreement dated January 1, 1998 and expiring December 31, 1999, between the Company and John Perl, II, M.D.

(10) Consulting Agreement dated January 7, 1998 and expiring August 31, 2000, between the Company and Flavio Castaneda, M.D.

(11) Consulting Agreement dated July 7, 1998 and expiring July 6, 1999, between the Company and Richard Greff

(12) Consulting Agreement dated July 20, 1998, between the Company and Judy Hoff /Healthcare Documentation & Development

(13) Consulting Agreement dated March 1, 1998 and expiring February 28, 2000, between the Company and John Chaloupka, M.D.

(14) Consulting Agreement dated January 1, 1997 and expiring September 30, 1999, between the Company and Rodney J. Lane, M.D.

(15) Consulting Agreement dated January 1, 1998 and expiring January 1, 2000, between the Company and Mark Saker, M.D.

(16) Consulting Agreement dated April 1, 1998 and expiring March 31, 2000, between the Company and Alejandro Berenstein, M.D.

(17) Consulting Agreement dated December 1, 1997 and expiring November 30, 1998, between the Company and Joe Engleson

(18) Consulting Agreement dated June 5, 1998 and expiring September 2, 1998, between the Company and Peter Anthony/Healthcare Documentation and Development

(19) Consulting Agreement dated September 1, 1996 and expiring August 31, 1999, between the Company and Don F. Schomer, M.D.

(20) Consulting Agreement dated February 5, 1998 and expiring March 1, 2000, between the Company and Charles Semba, M.D.

(21) Consulting Agreement dated September 1, 1996 and expiring August 31, 1998, between the Company and Tony Smith, M.D.

(22) Consulting Agreement dated July 1, 1996 and expiring June 30, 1999, between the Company and Sidney Wallace, M.D.

SCHEDULE 3.19

EMPLOYEE PLANS AND RELATIONS

(a) (i) Employment Agreement dated December 1, 1997, between the Company and Harold A. Hurwitz, the Company's Chief Financial Officer, providing for a severance payment of $150,000 in the event there occurs a change of control of the Company prior to December 1, 1998 and his employment is terminated within six months of such change in control.

(ii) Employment Agreement dated March 19, 1998, between the Company and Earl H. Slee, the Company's Vice President, Research and Development, providing for a severance payment of $150,000 in the event there occurs a change of control of the Company prior to April 6, 1999 and his employment is terminated as a result of such change in control.

(b) None.

MICRO THERAPEUTICS, INC.
INTELLECTUAL PROPERTY

ATTORNEYS

) Joseph F. Breimayer
Breimayer Law Office
1221 Nicollet Mall, Suite 206
Minneapolis, MN 55403
(612) 338-1279 Phone
(612) 338-0910 Fax

Infusion
Advanced Infusion

) Gerald Swiss
Burns, Doane, Swecker & Mathis
3000 Sand Hill Road
Menlo Park, CA 94025
(650) 854-7400 Phone
(650) 854-8275 Fax

Micro Catheters/Access
Vascular Embolization

C) K. David Crockett, Esq.
Crockett & Fish
4093 Tropico Way
Los Angeles, CA 90065
(213) 227-8519 Phone
(213) 399-1617 Phone
(213) 227-1089 Fax

Stents
Coatings

D) Curtis L. Harrington
Curtis L. Harrington & Associates
6300 State University Dr., Ste. 250
Long Beach, CA 90815
(310) 594-9784 Phone
(714) 374-9549 Phone
(310) 594-4414 Fax

Trademarks
Tradenames
Copyrights

Joseph F. Breimayer
Breimayer Law Offices

1. Infusion
2. Advanced Infusion

More specifically, this intellectual property includes:

1. Valved Tip Angiographic Catheters
Patent #: 5,085,635
Issued: February 4, 1992

2. Thrombectomy Method and Apparatus
Patent #: 5,370,653
Issued: December 6, 1994 File No. 9130.01;

9130.01CAN;

File No. 9130.01EPO;
910.01JAP

3. Infusion Device with Preformed Shape (Coiled Wire)
Patent #: 5,554,114
Issued: September 10, 1996 File No. 9135.08; 9135.08PCT; 9135.08EPO; 9135.08JAP; 9135.08CAN

4. Miniaturized Brush with Hollow Lumen Brush Body File No. 9135.20; 9135.20PCT;
Patent #: 5,681,335
Issued: October 28, 1997

5. Longitudinally Extendable Infusion Device
Patent #: 5,624,396
Issued: April 29, 1997 File No. 9135.23; 9135.23PCT; 9135.23CAN; 9135.23EPO; 9135.23JAP

Joseph F. Breimayer
Breimayer Law Offices
(Continued)

6. Patents Pending:

a) Infusion Guidewire Having Fixed Core and Flexible Radiopaque Marker (Straight Wire) File No. 9135.25; 9135.25PCT
9135.36CIP;
9135.25CAN;

9135.25EPO;
9135.25JAP

b) Infusion Device for Distributing Infusate
Along an Elongated Infusion Segment File No. 9135.26;
9135.26PCT

c) Power Lysis of Thrombus in Blood Vessel File No. 9135.34;
9135.34EPO;
9135.34CAN

7. Patents In Progress

a) Miniaturized Brush with Hollow Lumen
Brush Body File No. 9135.39

8. Invention Disclosures

a) Rotatable Catheter Attachment Clip File No. 9135.40
System for Connection to Hand
Held Moor Drive Unit

b) Dynamic Seal to Protect Hand Held Motor File No. 9135.41
Drive from Patient Bleedback

9. Infringement issue

a) Genesis Medical File No. 9135.42
K. David Crockett, Esq.
Crockett & Fish

1. Stents
2. Coatings

More specifically, this intellectual property includes:

1. Stent Construction of Rolled Configuration
Patent #: 5,306,294
Issued: April 26, 1994 Exclusive License for Head and

Neck

2. Method and Apparatus for Applying Vascular Grafts
Patent #: 5,366,473
Issued: November 22, 1994
Exclusive License for Head and Neck

3. Stent Assembly with Sensor
Patent #: 5,411,551
Issued: May 2, 1995
Exclusive License for Head and Neck

4. Self Expanding Vascular Endoprosthesis for Aneurysms
Patent #: 5,405,379
Issued: April 11, 1995
Exclusive License for Head and Neck

5. Lubricious Hydrophilic Composite Coated on Substrates
Patent #: 5,001,009
Issued: March, 1991
Non-exclusive license - Micro Catheters

6. Anti-thrombogenic, Anti-microbial Compositions Containing Heparin
Patent #: 5,069,899
Issued: December 3, 1991
Non-exclusive license - Micro Catheters

7. Lubricious Hydrophilic Coating, Resistant to Wet Abrasion
Patent #: 5,331,027
Issued: July 19, 1994
Non-exclusive license - Micro Catheters

K. David Crockett, Esq.
Crockett & Fish
(Continued - Page Two)

8. PATENTS PENDING:

a) Intracranial Stent and Method of Use File No. 212/037; 212/046CIP
212/037PCT

b) Self Anchoring Coil for Vascular Occulsion File No.

212/059/INACTIVE

c) Hoop Stent File No. 212/060

d) Method for Intracranial Vascular Embolotherapy Using Self Anchoring Coils File No. 212/068

e) Expandable Stent Apparatus and Method File No. 212/070

f) Wire Frame Partial Flow Obstruction Device for Aneurysm Treatment File No. 212/071

9. PATENTS IN PROCESS:

a) Hoop Stent File No. 212/060PCT

b) Wire Releasable Self-Expanding Neurovascular Stent File No. 212/098

c) Control Handle for Self Expanding Stent File No. 212/106

d) Porous Rolled Sheet Stents File No. 212/109

e) Coated Aneurysm Stent File No. 212/110/INACTIVE

f) Wave Form Perforation Pattern File No. 212/117

g) Sequential Wire Pulls for Control Handle of Self-Expanding Neurovascular Stent Catheter File No. 212/122

h) Thin Film Sheets of Sputter Deposited NiTi for use in Medical Devices File No. 212/124

i) Multi-Lumen Delivery File No. 212/125

K. David Crockett, Esq.
Crockett & Fish
(Continued - Page Three)

9. PATENTS IN PROCESS:

j) Expandable Stent Apparatus and Method File No. 212/070PCT

k) Wire Frame Partial Flow Obstruction Device for Aneurysm Treatment File No. 212/071PCT

l) Dynamic Coatings for Endovascular Devices File No. 212/128

m) Dual Pull Wire Proximal Handle File No. 212/129

Curtis L. Harrington
Curtis L. Harrington & Associates

1. Trademarks
2. Tradenames
3. Copyrights

More specifically, this intellectual property includes:

1. Willis File No. MITH-301
TM Registration No. 1,936,938

2. ProStream File No. MITH-
TM Registration No. 2,035,778

3. Micromewi File No. MITH-303

4. Trademarks Pending:

a) Patency Inactive

b) Easy Rider File No. MITH-304

c) Embolyx File No. MITH-

305/INACTIVE

d) Mewi-5 File No. MITHj-306

Gerald Swiss
Burns, Doane, Swecker & Mathis

MTI MATTERS

1. Micro Catheters/Access
2. Vascular Embolization

More specifically, this intellectual property included:

1. Novel Compositions for Use in Embolizing
Blood Vessels File No. 18413-002; 18413-021PCT
Patent #: 5,667,767 18413-031CIP; 18413-052EPO
Issued: September 16, 1997
18413-053CAN; 18413-054JAP

2. Cellulose Diacetate Composition for Use in Embolizing File No. 18413- -003; 18413-020PCT;
Blood Vessels 18413-055EPO; 18413-056CAN;
Patent #: 5,580,568 18413-057JAP; 18413-058(PCT/US)
Issued: December 3, 1996

3. Method for Embolizing Blood Vessels
Patent #: 5,702,361
Issued: December 30, 1997 File No. 18413-009; 18413-025PCT

4. Novel Embolizing Compositions
Patent #: 5,695,480
Issued: December 9, 1997 File No. 18413-017

5. PATENTS PENDING:

a) Methods for Embolizing Blood Vessels (Embolic with Lattice Support) 18413-048DIV

b) Novel Compositions for Use in Embolizing Blood Vessels (Other Polymers) File No. 18413-010; 18413-030/CIP
18413-035PCT; 18413-078DIV

c) Contoured Syringe and Novel Luer Hub and Methods for Embolizing Blood Vessels File No. 18413-016

Gerald Swiss
Burns, Doane, Swecker & Mathis
(Continued)

5. PATENTS PENDING (Cont'd):

d) Novel Embolizing Compositions (Radiopaque Particle Size and Kit) 18413-018PCT; 18413-059EPO 18413-060CAN; 18413-061JAP

e) Novel Methods for Embolizing File No. 18413-019; 18413-037PCT

f) Use of Radioactive Embolizing Compositions File No. 18413-023

g) Ethyl Lactate Composition Comprising a Biocompatible Polymer and a Contrast Agent File No. 18413-038

h) Gynecologic Endovascular Embolotherapy Methods File No. 18413-046

i) Method and Apparatus for Intravascular Embolization — File No. 18413-070; 18413-071PCT

j) Catheter for Combined Injection of Liquid Embolic and Embolic Solidification Agent — File No. 18413-073

k) Single Segment Microcatheter (Transferred from Crockett) — File No. 18413-083; 18413-114CIP

l) Balloon Catheter for Occluding Aneurysms or Branch Vessels (Transferred from Breimayer) — File No. 18413-084; 18413-085CAN; 18413-086EPO; 18413-092JAP

m) Microcatheter (Transferred from Knobbe) — File No. 18413-098; 18413-107PCT 18413-119EPO; 18413-120CAN;

n) Flow Directed Cerebral Vascular Catheter — File No. 18413-110

Gerald Swiss
Burns, Doane, Swecker & Mathis
(Continued)

5. PATENTS PENDING (Cont'd):

o) Novel Methods for Embolizing Vascular Sites with an Embolizing Composition Comprising Dimethysulfoxide (DIV of 018413-019) — File No. 18413-131

6. PATENTS IN PROCESS:

a) Drug Carrier Site Specific Treatment	File No. 18413-011/Inactive
b) Liquid Embolic Composition to Necrose Blood Vessels	File No. 18413-033/Inactive
c) Embolic Compositions for Use in Plastic Surgery	File No. 18413-039
d) Treatment of Ruptured Spinal Disks by Use of an Embolic	File No. 18413-040
e) Protection of Aneurysm Neck During Embolic Injection	File No. 18413-041
f) Nidus Catheter for Forming "Pearl" Embolic Agent	File No. 18413-042
g) Containment of Liquid Embolic	File No. 18413-043
h) Chemical Detachment of Embolic	File No. 18413-045
i) Novel Embolizing Compositions	File No. 18413-104CHI
j) Method to Treat Aneurysms Neck to Prevent Aneurysm Regrowth	File No. 18413-067
k) Novel Devices Which Improve The Venous Blood Return or Drainage	File No. 18413-069

Gerald Swiss
Burns, Doane, Swecker & Mathis

(Continued)

6. PATENTS IN PROCESS (CONT'D):

l) Invention Disclosures (Ttransferred from Breimayer's office)

Vascular Occlusion Catheter — File No. 18413-087

Balloon Catheters — File No. 18413-088

Devices for Improved Venous Blood Return — File No. 18413-089

m) Infringement study U.S. Patent No. 5,358,493 (Transferred from Breimayer's office / BDSM to provide original) — File Nos. 18413-90; 18413-091

n) Study U.S. Patent 4,739,768 and 5,336,205 (Transferred from Breimayer's office) — File Nos. 18413-93; 18413-094

o) Echogenic Agent for Implantable Composition — File No. 18413-096

p) Radiation Delivery System with Unique Over the Wire — File No. 18413-097

q) Catheters and Syringes to Form Abrupt Interface Between Liquid Embolic and Barrier Fluid — File No. 18413-099

r) Rapid Exchange Microcatheter & Tip Deflecting Microcatheter — File No. 18413-100

s) Patent Study Re: Fas Tracker 10 by Target — File No. 18413-101

t) Spring-Loaded Syringe Assembly for Repetitive, Low Volume, High-Pressure Injections — File No. 18413-103

Gerald Swiss
Burns, Doane, Swecker & Mathis
(Continued)

6. PATENTS IN PROCESS (CONT'D):

u) Infringement Study of 4,739,768 (Transferred from Breimayer's office) — File No. 18413-108

v) Vascular Vessel Dilation Catheter — File No. 18413-109

w) Endovascular Aneurysm Clip and Method — File No. 18413-111

x) DMSO Compatible Microcatheter — File No. 18413-112
/INACTIVE

y) Single Segment Microcatheter — File No. 18413-128PCT

z) Embolization Particle Methods of Manufacture — File No. 18413-127

aa) Microcatheter (CIP of 018413-098) — File No. 18413-130

bb) Transluminal Solidification of Embolyx for Aneurysm Embolization — File No. 18413-138

Gerald Swiss
Burns, Doane, Swecker & Mathis
(Continued)

7. TRADEMARKS PENDING:

a)	EMBOLYX	File No. 18413-064
b)	LES	File No. 18413-065
c)	FLOW RIDER	File No. 18413-076

8. TRADEMARKS IN PROCESS:

a)	Even Flow	File No. 18413-095/INACTIVE

b) Castaneda Over-the-Wire	File No. 18413-125
c) Focused Infusion Catheters	File No. 18413-126
d) Silver Streak	File No. 18413-139
e) Equinox	File No. 18413-

Gerald Swiss
Burns, Doane, Swecker & Mathis

1. Non-Vascular

Patents Pending:

a) Methods for Treating Urinary Incontinence	File No. 18413-006; 18413-047/DIV.; 18413-081PCT
b) Methods for Sterilizing Male Mammals	File No. 18413-007; 18413-034PCT; 18413-029/CIP
c) Methods for Sterilizing Female Mammals	File No. 18413-014; 18413-036PCT; 18413-027CIP
d) Method for Treating Urinary Reflux	File No. 18413-026; 18413-082PCT
e) Gynecologic Embolotherapy Methods	File No. 032016-005

MICRO THERAPEUTICS, INC.

EMPLOYEE CONFIDENTIAL INFORMATION AGREEMENT

In consideration and as a condition of my employment, or continued employment, by MICRO THERAPEUTICS, INC. and/or by companies which it owns, controls, or is affiliated with, or their successors in business (hereafter referred to as "the Company), and the compensation paid therefore:

1. CONFIDENTIALITY

I agree to keep confidential, except as the Company may otherwise consent in writing, and not to disclose or make any use of except for the benefit of the Company, at any time, either during or subsequent to my employment, any trade secrets, confidential information, knowledge, data or other information of the Company relating to products, processes, know-how, designs, formulas, test data, customer lists, business plans, marketing plans and strategies, pricing strategies or other subject matter pertaining to any business of the Company or any of its clients, customers, consultants, licensees or affiliates, which I may produce, obtain or otherwise acquire during the course of my employment, except as herein provided. I further agree not to deliver, reproduce or in any way allow any such trade secrets, confidential information, knowledge, data or other information, or any documentation relating thereto, to be delivered or used by any third parties without specific direction or consent of a duly authorized representative of the Company.

2. CONFLICTING EMPLOYMENT/RETURN OF CONFIDENTIAL MATERIAL

I agree that during my employment with the Company, I will not engage in any other employment, occupation, consulting or other activity relating to the business in which the Company is now or may hereafter become engaged or which would otherwise conflict with my obligations to the Company. In the event of my termination of employment with the Company for any reason whatsoever, I agree to promptly surrender and deliver to the Company all records, materials, equipment, drawings, documents and data of any nature pertaining to any invention, trade secret or confidential information of the Company or to my employment, and I will not take with me any description containing or pertaining to any confidential information, knowledge or data of the Company which I may produce or obtain during the course of my employment. In the event of the termination of my employment for any reason whatsoever, I agree to sign and deliver the "Termination Certificate" attached hereto as Exhibit A.

3. NON SOLICITATION

I agree that during my employment and for the two year period following my employment I will not solicit or induce any employee or consultant of the Company to quit their employment, cease doing business with the Company or accept employment with any entity that I am then involved with, unless I am

specifically authorized to do so by the Company. In addition, during my employment and for the two year period following my employment I will not solicit or induce any customer of the Company to cease doing business with the Company.

4. ASSIGNMENT OF INVENTIONS

I agree that all computer programs, documentation and other copyrightable materials to which I contribute during my employment shall be considered "works for hire" and shall be the sole property of the Company. I hereby assign and transfer to the Company my entire right, title and interest in and to all inventions (as used in the Agreement, "inventions" shall include but not be limited to ideas, improvements, designs and discoveries) whether or not patentable and whether or not reduced to practice, made or conceived by me (whether made solely by me or jointly with others) during the period of my employment with the Company, which relate in any manner to the actual or demonstrably anticipated business, work or research and development of the Company or its subsidiaries, or result from or are suggested by any task assigned to me or any work performed by me for or on behalf of the Company or its subsidiaries. I agree that all such inventions are the sole property of the Company provided, however, that this Agreement does not require assignment of an invention which qualifies fully for protection under Section 2870 of the California Labor Code (hereafter referred to as "Section 2870"). A copy of Section 2870 is attached as Exhibit B.

5. DISCLOSURE OF INVENTIONS AND PATENTS

I agree that in connection with any "invention" as defined in Paragraph 3 above:

a)I will disclose such invention promptly in writing to my immediate superior at the Company, with a copy to the president, regardless of whether I believe the invention is protected by Section 2870, in order to permit the Company to claim rights to which it may be entitled under this Agreement. Such disclosure shall be received in confidence by the Company.

b)I will, at the Company's request, promptly execute a written assignment of title to the Company for any invention required to be assigned by Paragraph 3 ("assignable invention"), and I will preserve any such assignable invention as confidential information of the Company.

c)Upon request, I agree to assist the Company or its nominee (at its expense) during and at any time subsequent to my employment in every reasonable way to obtain for its own benefit patents and copyrights for such assignable

inventions in any and all countries, which inventions shall be and remain the sole and exclusive property of the Company or its nominee whether or not patented or copyrighted. I agree to execute such papers and perform such lawful acts as the Company deems to be necessary to allow it to exercise all right, title and interest in such patents and copyrights.

6. EXECUTION OF DOCUMENTS

In connection with Paragraph 4(c), I further agree to execute, acknowledge and deliver to the Company or its nominee upon request and at its expense all such documents, including applications for patents and copyrights and assignments of inventions, patents and copyrights to be issued therefore, as the Company may determine necessary or desirable to apply for and obtain letters, patents and copyrights on such assignable inventions in any and all countries and/or to protect the interest of the Company or its nominee in such inventions, patents and copyrights, and to vest title thereto in the Company or its nominee.

7. MAINTENANCE OF RECORDS

I agree to keep and maintain adequate and current written records of all inventions made by me (in the form of notes, sketches, drawings and as may be specified by the Company), which records shall be available to and remain the sole property of the Company at all times.

8. PRIOR INVENTIONS

It is understood that all inventions if any, patented or unpatented, which I made prior to my employment by the Company are excluded from the scope of this Agreement. To preclude any possible uncertainty, I have set forth on Exhibit C attached hereto a complete list of all my prior inventions, including numbers of all patents and patent applications, and a brief description of all unpatented inventions which are not the property of a previous employer. I represent and covenant that the list is complete and that, if no items are on the list, I have no such prior inventions. I agree to notify the Company in writing before I make any disclosure or perform any work on behalf of the Company which appears to threaten or conflict with proprietary rights I claim in any invention or idea. In the event of my failure to give such notice, I agree that I will make no claim against the Company with respect to any such inventions or ideas.

9. OTHER OBLIGATIONS

I acknowledge that the Company from time to time may have agreements with other persons or with the U.S. Government or governments of other countries, or agencies thereof, which impose obligations or restrictions on the

Company regarding inventions made during the course of work thereunder or regarding the confidential nature of such work. I agree to be bound by all such obligations and restrictions and to take all action necessary to discharge the obligations of the Company thereunder.

10. TRADE SECRETS OF OTHERS

I represent that my performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence proprietary information, knowledge or data acquired by me in confidence or in trust prior to my employment with the Company, and I will not disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or others. I agree not to enter into any agreement either written or oral in conflict herewith.

11. MODIFICATIONS

This Agreement may not be changed, modified, released, discharged, abandoned or otherwise amended, in whole or in part, except by an instrument in writing, signed by me and the Company. I agree that any subsequent change or changes in my duties, salary, or compensation shall not affect the validity or scope of this Agreement.

12. ENTIRE AGREEMENT

I acknowledge receipt of this Agreement and agree that with respect to the subject matter thereof it is my entire agreement with the Company, superseding any previous oral or written communications, representations, understandings or agreements with the Company or any officers or representative thereof.

13. SEVERABILITY

In the event that any paragraph or provision of this Agreement shall be held to be illegal or unenforceable in any jurisdiction, such paragraph or provision shall, as to that jurisdiction, be adjusted and reformed, if possible, in order to achieve the intent of the parties, and if such paragraph or provision cannot be adjusted and reformed, such paragraph or provision shall, for the purposes of that jurisdiction be voided and severed from this Agreement, and the entire Agreement shall not fail on account thereof but shall otherwise remain in full force and effect.

14. SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon my heirs, executors, administrators or other legal representative and is for the benefit of the Company, its

successors and assigns.

15. GOVERNING LAW

This Agreement shall be governed by the laws of the location of the Company's corporate headquarters, which is presently located in the State of California; provided, however, that in the event this provision is deemed to be unenforceable by a local judicial authority or governmental agency, then the laws of the location of my employment shall apply.

16. COUNTERPARTS

This Agreement may be signed in two counterparts, each shall be deemed an original and both of which shall together constitute one agreement.

EMPLOYEE

_____
(EMPLOYEE'S SIGNATURE)

_____
(PRINT NAME)

Date:_____

MICRO THERAPEUTICS, INC.

By:_____
George Wallace, President

Date:_____

EXHIBIT A

TERMINATION CERTIFICATE

This is to certify that I do not have in my possession, nor have I failed to return, any records, documents, data, specifications, drawings, blueprints,

reproductions, sketches, notes, reports, proposals or copies of them, or other documents or materials, equipment, or other property belonging to the Company, its successors and assigns (hereafter referred to as the "Company").

I further certify that I have complied with and will continue to comply with all the terms of the Employee Proprietary Information Agreement signed by me with the Company, including the reporting of any inventions (as defined therein) conceived or made by me covered by the Agreement.

I further agree that in compliance with the Employee Proprietary and Confidential Information Agreement, I will preserve as confidential all trade secrets, confidential information, knowledge, data, or other information relating to products, processes, know-how, designs, formulas, test data, customer lists, or other subject matter pertaining to any business of the Company or any of its clients, customers, consultants, licensees, or affiliates.

_____
Employee's Signature

_____
Print Name

_____
Date

EXHIBIT B

SECTION 2870
CALIFORNIA LABOR CODE

Any provision in an employment agreement which provides that an employee shall assign or offer to assign any of his or her rights in an invention to his or her employer shall not apply to an invention for which no equipment, supplies, facility, or trade secret information of the employer was used, and which was developed entirely on the employee's own time, and:

a) which does not relate to the business of the employer or to the employer's actual or demonstrably anticipated research or development, or

b) which does not result from any work performed by the employee for the employer.

Any provision which purports to apply to such an invention is to that extent against the public policy of this state and is to that extent void and unenforceable.

EXHIBIT C

LIST OF PRIOR INVENTIONS

Identifying Number or Title	Date	Brief Description

EXHIBIT 3

PORTIONS OF THIS DOCUMENT HAVE BEEN OMITTED (DESIGNATED BY AN ASTERISK (*)) AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT DATED AUGUST 28, 1998

EXCLUSIVE DISTRIBUTION AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into as of August 12, 1998 (the "Effective Date"), by and between ABBOTT LABORATORIES, an Illinois corporation, on behalf of itself and its Affiliates (as defined below) (collectively, "Abbott"), having a place of business at 100 Abbott Road, Abbott Park, Illinois 60064, and MICRO THERAPEUTICS, INC., a Delaware corporation ("MTI"), having a place of business at 1062-F Calle Negocio, San Clemente, California 92673.

RECITALS

A. MTI is engaged in the business of developing and manufacturing the Products (as defined below), and Abbott is in the business of developing, manufacturing and distributing pharmaceuticals, medical devices and other health care products.

B. The parties desire that Abbott act as an exclusive independent distributor of the Products within the Territory (as defined below) under the terms and conditions of this Agreement.

C. The parties also desire that Abbott invest in MTI, the details of which investment are fully described and governed by that certain Convertible Subordinated Note Agreement ("Note Agreement"), Credit Agreement ("Credit Agreement") and Security Agreement ("Security Agreement") between the parties bearing even date herewith.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth below, the parties agree as follows:

DEFINITIONS.

1.1 "AFFILIATE" means any company or entity that controls, is controlled by or is under common control with, a party to this Agreement. As used herein, "control" means the direct or indirect ownership of fifty percent (50%) or more of the authorized issued voting shares in such entity or such other relationship as in fact legally results in effective control over the management, business and affairs of such entity.

1.2 "ASP" OR "AVERAGE SELLING PRICE" means the Net Sales of any given Product divided by the total number of units of that Product shipped (excluding non-revenue units, such as samples) and invoiced by Abbott or its Affiliates to Customers.

1.3 "BUSINESS DAY" means any day Monday through Friday excluding Abbott observed holidays.

1.4 "CHANGE OF CONTROL EVENT" means any sale of all or substantially all of a party's assets or stock or a change in ownership or control (as defined in Section1.1) of a party, whether by merger or acquisition or otherwise.

1.5 "CONFIDENTIAL INFORMATION" means proprietary, non-public information owned or controlled by one party to this Agreement to which the other party has access hereunder, including but is not limited to, trade secrets, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, diagrams, data, business activities and operations, customer lists, reports, studies and other technical and business information.

1.6 "COST" means the transfer price paid by Abbott to MTI for each Product purchased under this Agreement, as described in Section6.1.

1.7 "CUSTOMER" means any end-user who purchases Products from Abbott for use in the Territory.

1.8 "EFFECTIVE DATE" means the date first set forth above.

1.9 "FDA" means the United States Food and Drug Administration and any successor agency thereto.

1.10 "FIELD" means devices and methods of use directed toward diagnosis, treatment or prevention of blood clot disorders in the peripheral vasculature, including related peripheral blood clot therapy access products.

1.11 "FIRST COMMERCIAL SALE" means the first sale by Abbott of any Product to a Customer after the Effective Date. "First Commercial Sale" shall not include any sales to Abbott Affiliates or to any third party in connection with any clinical trials or regulatory or safety testing.

1.12 "LES" means MTI's Liquid Embolic System (Embolyx-TM-) that includes an embolic agent and delivery system.

1.13 "MARGIN" means Net Sales minus the Cost of the Product sold.

1.14 "MTI'S SUCCESSOR" means a third party who assumes control of MTI's

management, business and affairs following an MTI Change of Control Event.

1.15 "NET SALES" means the gross amounts recorded by Abbott on the accrual method minus reasonable reserves for bad debt consistent with generally accepted accounting principles consistently applied by Abbott for sales of, and in connection with Abbott's purchase, transportation and importation of, the Products, less any discounts, rebates and credit for damaged, outdated, returned, withdrawn and recalled goods, less any allowances for partial-revenue or non-revenue units (e.g., samples), less any trade discounts earned or granted, less any cash discounts, management fees or rebates paid to Customers (including but not limited to Group Purchasing Organizations ("GPOs"), Integrated Health Care Systems ("IHSs"), and government agencies) and less all freight charges, insurance and other costs of shipping and handling, taxes, duties and the like, all to the extent that any of the foregoing may be recorded or incurred by Abbott in connection with the sale of Products under this Agreement. For sales outside of the United States, the aforementioned shall be converted to United States dollars each calendar quarter, using Abbott's standard practices to determine Net Sales.

1.16 "PRODUCTS" means all of the current MTI products referenced in the attached Exhibit1 as well as MTI's devices or technology developed or otherwise acquired by MTI after the Effective Date that have any application in the Field, including but not limited to any improvements, enhancements or line extensions thereto. The parties shall amend Exhibit 1 from time to time to reflect any and all Product improvements, enhancements and line extensions and additions of new Products and, as applicable, shall amend Sections6.1 and 6.2 accordingly.

1.17 "PRODUCT LINES" means the following five (5) categories of Products as of the Effective Date: thrombolytic brushes, infusion catheters, infusion guidewires, peripheral micro catheters, and accessory kits. Product Lines shall also include other Product categories that may be developed during the Term.

1.18 "QSR" or "QUALITY SYSTEM REGULATIONS" means all applicable standards relating to manufacturing practices for medical devices promulgated by the FDA in the form of laws, regulations or guidance documents (including but not limited to advisory opinions, compliance policy guides and guidelines), and which guidance documents MTI knows or reasonably should have known to be applicable, current, feasible and valuable in ensuring device quality within the device manufacturing industry for such products in effect on the Effective Date or at any time thereafter during the Term.

1.19 "SPECIFICATIONS" means MTI's most current specifications for the manufacture of each of the Products.

1.20 "STANDARD MANUFACTURING COST" means with respect to any Product, MTI's fully allocated cost of manufacturing such Product (in accordance with QSR and

the Specifications), as determined in accordance with Generally Accepted Accounting Principles ("GAAP"), consistently applied, including all direct and indirect costs related to the manufacture of such Product, including without limitation, costs for labor, materials (including, without limitation, components of such Product), quality control, regulatory compliance, manufacturing administrative expenses, subcontractors, fixed and variable manufacturing overhead costs and business unit, division or company costs reasonably allocable to the manufacture, packaging and labeling of such Product, in each case, respectively.

1.21 "TERM" means the Initial Term (as defined in Section14.1) plus any extensions pursuant to Section14.1 and/or Section15.5, unless earlier terminated pursuant to Sections14.2, 14.3 or 14.4.

1.22 "TERRITORY" means the fifty (50) United States and territories of the United States (including but not limited to, Puerto Rico) as well as Canada. The Territory may be expanded from time to time by mutual agreement of the parties to include additional countries not currently committed by MTI to alternative distributors for the Products.

2. APPOINTMENT AND STATUS OF ABBOTT

2.1 APPOINTMENT. MTI hereby appoints Abbott as the exclusive distributor of the Products to Customers in the Territory. During the Term, MTI shall not itself or through its Affiliates (i) make sales of any Products within the Territory (except for clinical trials or regulatory approval or compliance purposes), (ii)appoint or authorize any other distributor or sales representative to make sales of any Products within the Territory or (iii) sell any Products to any entity that it knows or has reason to know will sell such Products in the Territory without Abbott's prior written permission. Abbott may, in its discretion, distribute, market and sell the Products in the Territory through any Affiliate of Abbott Laboratories or use other subdistributors and agents of its own choosing in distributing, marketing and selling any Products in the Territory. Abbott shall have the right during the Term to represent to the public that it is an authorized exclusive independent distributor of the Products within the Territory.

2.2 INDEPENDENT CONTRACTOR. Abbott is and at all times shall be an independent contractor of MTI in all matters relating to this Agreement. Each party and its employees are not agents or partners of the other party for any purposes and, except as otherwise expressly agreed in writing by the other party, have no power or authority to bind or commit the other party in any way.

3. ABBOTT'S DUTIES. Abbott shall use reasonable commercial efforts to introduce, promote the sale of, solicit and obtain orders for Products from Customers in accordance with the terms of this Agreement. Additionally, Abbott shall be

responsible for all order entry, distribution, billing, collection of sales revenue, Customer service support (excluding technical Product support), and processing of returns for the Products in the Territory. In particular, Abbott shall assume the following responsibilities:

3.1 SALES. Abbott shall assume responsibility for all sales and marketing activities for the Products in the Territory through its Abbott Critical Care Systems commercial organization or another commercial organization at Abbott's sole discretion. Except as otherwise expressly stated herein, Abbott shall be responsible for its own sales and marketing costs, including but not limited to training and maintenance of its sales organization, formation of clinical symposia, promotion at appropriate trade shows, publication of promotional materials/reprints, and publication of appropriate journal advertisements.

3.2 CONTRACTING. As of the Effective Date, except as otherwise mutually agreed during the Transition Period referenced in Section4.2, Abbott shall assume full responsibility for negotiating and entering into all Customer contracts, including but not limited to, all hospital, GPO and IHS sales contracts for the Products in the Territory. Abbott shall be solely responsible for establishing sales prices for Products for all Customers in the Territory. MTI shall provide Abbott with MTI's current customer lists as well as current and proposed customer contracts for the Products. In accordance with procedures to be mutually agreed upon and to be implemented as soon as practicable after the Effective Date, MTI shall assign to Abbott and Abbott shall administer all of MTI's pre-existing sales contracts with customers for the Products in the Territory during the Term.

3.3 FORECAST. The initial sales forecast ("Forecast") covering Net Sales for the first five (5) full calendar years of the Term is set forth in the attached Exhibit2. This Forecast shall be revised by mutual agreement of the parties to account for adverse market/competitive conditions and/or Product safety and efficacy issues. Abbott and MTI shall prepare and agree upon a new Forecast prior to September30 of each calendar year during the Term. Each Forecast shall encompass the following five (5) full calendar years, with projections gaited on a monthly basis for the first calendar year and annually thereafter. Such Forecasts shall include a sales Forecast by Product Line, anticipated quantity and quarterly estimated delivery dates. With respect to Product Line extensions, the parties shall make Forecast adjustments as mutually agreed upon, commensurate with the expanded total available market opportunity associated with the expanded Product offerings. If the parties are unable to reach agreement on Forecasts for any year during the Initial Term after the initial Forecast period set forth in Exhibit2, then Abbott shall continue to distribute the Products in the Territory for the remainder of the Initial Term, paying to MTI a commission on Net Sales (pursuant to Section6.2) based on the weighted average commission (i.e., the percentage equal to total commissions divided by total Net Sales) paid during the final calendar year for which a Forecast was mutually agreed by the parties. If the Initial Term

is extended pursuant to Sections14.1.1 or 14.1.2 and the parties are subsequently unable to reach agreement for a Forecast for any calendar year beyond the Initial Term, MTI may terminate this Agreement pursuant to Section14.4.3.

3.4 NO MINIMUM PURCHASE REQUIREMENTS. Subject to the provisions of Section14.3, nothing herein shall be construed to obligate Abbott to purchase any minimum quantity of any of the Products.

3.5 COMPLIANCE WITH LAWS. Subject to Section 4 below, Abbott shall, at all times during the Term, maintain any necessary legal permits and licenses required by any governmental unit or agency to distribute the Products hereunder and shall comply with all applicable national, state, regional and local laws and regulations, in performing its duties hereunder and in any of its dealings with respect to the Products as an independent distributor, except where the failure to obtain such permits or licenses or failure to comply will not have a material adverse effect on Abbott's ability to distribute the Products.

4. MTI'S DUTIES. MTI shall use reasonable commercial efforts to maintain adequate manufacturing capacity and sufficient supply of the Products during the Term. Should MTI fail to maintain adequate manufacturing capacity and/or sufficient supply of the Products, MTI and Abbott shall in good faith use their best efforts to develop jointly a plan to ensure continued Product supply, which plan may include, at Abbott's reasonable discretion, Abbott's exercise of its standby right to manufacture the Products under Section4.12 and appropriate mutually agreed upon Forecast adjustments pursuant to Section3.3. MTI shall use commercially reasonable efforts to develop appropriate Product Line extensions in order to assure maintenance of market-competitive Products in the Field. MTI shall give due consideration to recommendations from Abbott in this regard. MTI shall also assume the following responsibilities:

4.1 RESPONSIBILITY FOR REGULATORY AND SAFETY TESTING REQUIREMENTS AND FOR OBTAINING REQUIRED APPROVALS AND REGISTRATIONS

4.1.1 REGULATORY AND SAFETY TESTING REQUIREMENTS. MTI shall be considered to be the finished device manufacturer for the Products and shall be responsible for compliance with all regulatory and safety testing requirements for the Products in the Territory. MTI shall provide Abbott with the data and results from clinical trials with respect to each of the Products.

4.1.2 REGULATORY APPROVALS AND REGISTRATIONS. MTI shall establish and maintain all regulatory approvals required to manufacture and permit sale of the Products in the Territory, including, at a minimum all necessary, FDA approvals and the equivalent Canadian approvals for each Product.

4.1.3 QUALITY SYSTEM COMPLIANCE. MTI shall be solely responsible for

compliance with all Quality System Regulations affecting the Products, including, at a minimum, International Standards Organization ("ISO") certification and compliance with FDA Quality System Regulations. During the Term, MTI shall manage the complaint files associated with the Products in the Territory and provide copies of those complaint files to Abbott upon Abbott's request. In accordance with a timetable to be mutually agreed upon by the parties, Abbott shall have the right to review MTI's manufacturing operations in order to ensure compliance with Quality System Regulations. Abbott may, in its discretion, make QSR recommendations to MTI and MTI shall use reasonable efforts to implement any QSR recommendations made by Abbott.

4.4.4 POST-MARKETING REGULATORY REPORTING. MTI shall be responsible for reporting any reportable events, including but not limited to patient deaths or injuries, associated with the Products to the FDA and other appropriate authorities; provided, however, that to the extent required by applicable law Abbott may also report such events to the applicable authorities. Abbott shall notify MTI of any such event within two (2) Business Days after Abbott learns of such an event. Each party shall provide the other party with any assistance reasonably requested by the other party in connection with such activities, including without limitation access to the Product files. MTI shall update Abbott periodically (in accordance with a timetable to be mutually agreed upon by the parties) on any reportable events involving the Products in the Territory for which MTI has filed reports with the FDA or other regulatory authorities in the Territory.

4.1.5 POST-MARKETING CLINICAL TRIALS. MTI shall fund, conduct and complete post-approval clinical trials in order to establish clinical/commercial user preference status for the Products, in accordance with the Post-Market Clinical Development Program attached hereto as Exhibit 3. Upon mutual agreement of the parties regarding appropriate timetables, these clinical trials shall be conducted by MTI, with assistance from Abbott if so requested by MTI.

4.1.6 REIMBURSEMENT. MTI shall use its best efforts to assist Customers in obtaining reimbursement from governmental agencies, third-party payors, or other parties from whom reimbursement may be sought in connection with sales of the Products to Customers.

4.2 TRANSITION PERIOD. MTI shall transition full commercial responsibilities for marketing and sale of the Products to Abbott during a six (6) month transitional period ("Transition Period") beginning with the date of First Commercial Sale of any Product by Abbott, after which Transition Period MTI's commercial responsibility for the Products shall be limited to providing general support upon Abbott's request.

4.3 LITERATURE. Upon Abbott's request, MTI shall furnish Abbott, without charge (except as otherwise agreed in writing), with reasonable quantities of technical, advertising and selling information and literature in English concerning the Products which Abbott may incorporate or include with its own marketing materials and

information relating to the Products. Abbott shall have the right to develop and distribute its own marketing materials, brochures and other information regarding the Products in connection with its sales and marketing activities under this Agreement, subject to the prior approval of MTI, which approval shall not be unreasonably withheld.

4.4 MARKETING SUPPORT. To assist in selling and marketing the Products in the Territory, each party shall, as applicable:

4.4.1 provide the other party with any information reasonably requested by the other party for the purpose of complying with regulatory and other legal requirements relating to the Products;

4.4.2 provide the other party with information on marketing and promotional plans for the Products as well as copies of marketing, advertising, sales and promotional literature concerning the Products, if any; and

4.4.3 provide the other party with certificates of free sale, trademark authorizations and any other documents relating to the Products which the other party may reasonably request to satisfy the requirements of the laws of the various jurisdictions within the Territory and of any competent authority.

4.5 SALES AND TRAINING. MTI shall provide reasonable initial training of Abbott's personnel in the use of the Products, upon Abbott's request. Abbott shall pay the cost of any travel and lodging for its personnel attending any such training, and MTI shall pay the cost of the trainers and materials.

4.6 TRADE SHOWS. For trade shows and congresses pertinent to the Field in the Territory, MTI shall assist Abbott, subject to mutual written agreement of the parties, with the promotion of the Products. Such assistance may include sharing of costs, provision of personnel and materials as well as joint exhibits.

4.7 PRODUCT CHANGES. MTI shall provide Abbott with at least ninety (90) days prior written notice of any change in the Specifications or the processes, materials, equipment, inspection, testing, manufacturing location and the like of which it has knowledge that may have any effect on the Products or their uses. MTI shall give due consideration to any comments or suggestions Abbott may make with respect to such changes.

4.8 INSURANCE. MTI shall at all times during the Term maintain product liability insurance covering the Products with minimum annual limits of Two Million Dollars ($2,000,000) per occurrence and Two Million Dollars ($2,000,000) in the aggregate. MTI shall maintain such insurance for a minimum of five (5) years after termination of this Agreement. Within thirty (30) days of the Effective

Date, MTI shall deliver to Abbott a certificate of insurance evidencing such insurance and stating that the policy will not be canceled or modified without at least thirty (30) days prior written notice to Abbott.

4.9 INTELLECTUAL PROPERTY RIGHTS. MTI shall use reasonable commercial efforts to file, prosecute, protect and maintain its intellectual property rights (including patents, know-how and MTI Trademarks, as defined below) relevant to the Products in the Territory at its own expense. If MTI becomes aware of any actual or potential third party infringement of such intellectual property rights or any third party claim that MTI's manufacture and sale of the Products to Abbott hereunder or Abbott's sale of Products to Customers infringes any third party intellectual property rights, MTI shall promptly notify Abbott.

4.10 SAMPLES. During the Term, MTI shall provide Abbott with a reasonable amount of samples of each of the Products, at no charge, as requested by Abbott (not to exceed * (*) of total unit sales by Product Line on an annual basis) for sales presentations and medical meeting demonstrations or presentations and for testing purposes.

4.11 RIGHT OF FIRST DISCUSSION. During the Term, MTI shall provide to Abbott an exclusive right of first discussion if MTI elects to consider and/or pursue discussions with third parties on potential commercial collaborations in the Territory for potential peripheral vascular applications of MTI's LES (Embolyx-TM-) embolization product currently under development. If MTI considers and/or desires to pursue potential third party sales, marketing and/or distribution collaborations for peripheral applications of LES in the Territory, MTI shall negotiate first and in good faith with Abbott for a period of not less than * (*) days for distribution rights for such products. If the parties do not execute an agreement for distribution of such products within such * (*) day period (or such longer period as may be mutually agreed upon by the parties), MTI shall have no further obligations to Abbott in this regard. MTI shall give serious consideration to any reasonable commercial terms proposed by Abbott in writing with regard to peripheral LES applications. If the parties are unable to agree on the terms of such written offer, then for a period of * (*) * following the above-referenced discussion period, MTI shall not accept a third party offer for commercialization of peripheral LES applications that, in MTI's sole opinion, is less favorable to MTI than Abbott's last written offer, considering all relevant factors, including without limitation, any equity components as well as milestones, commissions and/or royalties.

4.12 STANDBY RIGHT TO MANUFACTURE. If MTI is unable or unwilling for any reason (other than where determined as due to Abbott's breach of this Agreement or due to bona fide dispute that the parties have submitted for resolution pursuant to the provisions of Section15.4) to supply any Products as and when ordered by Abbott in accordance with this Agreement, then, after the

expiration of a reasonable period of time (not to exceed * (*) *), during which MTI may remedy the cause of its inability to supply the Products, Abbott, shall have the right, but not the obligation, to manufacture or have manufactured the Products under MTI's patents and other intellectual property rights during the period that MTI is unable to supply. To the extent necessary to implement Abbott's standby manufacturing rights under this Section4.12, MTI hereby grants Abbott a non-exclusive, royalty-free license under MTI patents and other intellectual property rights to make, have made, use, import, sell and offer for sale the Products in the Territory. During such period, MTI shall provide Abbott with manufacturing know-how and reasonable assistance to enable Abbott (and, as applicable, Abbott's third party manufacturer) to manufacture the Products. At such time as MTI can demonstrate to Abbott's reasonable satisfaction that MTI is capable of resuming the manufacture and supply of Products, Abbott's license hereunder shall cease and Abbott shall resume purchasing Products from MTI and Abbott shall return to MTI all MTI equipment and technology utilized by Abbott for the manufacture of Products.

5. TRADEMARKS AND LABELING.

5.1 TRADEMARK LICENSE. During the Term, MTI hereby grants to Abbott an exclusive, royalty-free license to use the current and future trademarks, trade names and logos used by MTI at any time during the Term to identify the Products (the "MTI Trademarks") solely in the course of Abbott's advertisement, promotion, distribution and sale of the Products in the Territory. Abbott's use of the MTI Trademarks shall be in accordance with MTI's policies that are provided to Abbott in writing from time to time. Abbott shall display the MTI Trademarks on the Products distributed under this Agreement. Use of the MTI Trademarks on the Products shall not give Abbott any proprietary rights in the MTI Trademarks except for the license rights granted in this Section5.1.

5.2 OWNERSHIP. Abbott acknowledges that, subject only to the license granted herein to Abbott, MTI owns and retains all proprietary rights in all MTI Trademarks.

5.3 NO CONTINUING RIGHTS. Upon termination of this Agreement, Abbott shall cease all further display, advertising and use of all MTI Trademarks except in connection with the sale of Products in inventory as provided in Section 14.5.2 below.

5.4 TRADEMARKS USED IN LABELING. In addition to the MTI Trademarks, the Products may bear trademarks selected by Abbott ("Abbott Trademarks") in a manner mutually agreed upon by the parties. Notwithstanding anything to the contrary set forth herein, MTI shall not use the Abbott Trademarks on any Product sold outside the Territory without the prior written consent of Abbott. Upon termination of this Agreement, MTI shall cease all use of the Abbott Trademarks.

5.5 LOT NUMBERS AND LIST NUMBERS IN LABELING. As soon as commercially feasible after the Effective Date, MTI shall make the following Product labeling changes: (a) each saleable unit of the Products shall have an Abbott list number printed on the label (including the case labeling) and (b) each saleable unit of the Products shall have identification numbers using the Abbott lot numbering convention and expiration dating formats (in compliance with * , which Abbott shall supply to MTI) on the label (including the case labeling). Abbott shall supply MTI with Product list numbers, lot number suffix and lot number blocks as soon as commercially feasible after the Effective Date.

6. FINANCIAL TERMS.

6.1 COST. The Cost to Abbott for each Product purchased by Abbott from MTI under this Agreement shall be an amount equal to MTI's Standard Manufacturing Cost for the Product sold, not to exceed a maximum percentage of the appropriate aggregate Average Selling Price for the appropriate time period, calculated according to the following schedule:

	MAXIMUM COST (as a % of Average Selling Price)		
MTI PRODUCT LINE	EFF. DATE TO 12/31/98	1999	2000-2007
Infusion Catheters	*	*	*
Infusion Guidewires	*	*	*
Peripheral Micro Catheters	*	*	*
Mechanical Thrombolytic Devices	*	*	*
Accessory Kits	*	*	*

The Cost paid by Abbott to MTI for any given Product shall be not less than a minimum of * (*) of the appropriate Average Selling Price for that Product. The parties shall review MTI's Standard Manufacturing Cost for the Product sold for each Product and Product Line on or before September 30 of each year during the Term and establish the Standard Manufacturing Cost for the Product sold (and accordingly, the Cost for each Product) for the following calendar year at such time.

6.2 COMMISSIONS. Net Sales and Average Selling Prices for each Product Line (infusion catheters, infusion guidewires, peripheral micro catheters, mechanical thrombolytic devices, accessory kits) shall be updated and calculated by Abbott and reviewed by the parties on a quarterly basis. Within forty-five (45) days following the end of each calendar quarter during the Term, Abbott shall pay MTI a commission, calculated by individual Product Line on a calendar quarterly basis, as follows:

(i) for sales up to and including Forecast, MTI shall receive * (*) of the Net Sales of the Products by Abbott, calculated by individual Product Line ;

(ii) for sales over Forecast up to * (*) of Forecast, MTI shall receive * (*) of Net Sales over Forecast and up to * (*) of Forecast, calculated by individual Product Line;

(iii) for sales over * (*) of Forecast, MTI shall receive * (*) of Net Sales over * (*) of Forecast, calculated by individual Product Line.

For example, if Abbott's Net Sales of thrombolytic brushes in calendar year 1999 (for which the Forecast is *) are * , the commission payable for this Product Line shall be as follows:

Net Sales Portion	Commission Percentage	Commission Payable
Up to Forecast (up to $2,742,000)	*	*
100-120% Over Forecast ($2,742,001-$3,290,400)	*	*
Over 120% of Forecast ($3,290,401-$3,500,000)	*	*
TOTAL		*

6.3 MARKETING/DISTRIBUTION FEE. Within fifteen (15) days of Abbott's First Commercial Sale of any Product within the Territory, Abbott shall pay MTI a one time marketing/distribution fee of One Million Dollars ($1,000,000) in consideration of the Product marketing/distribution rights granted to Abbott hereunder. Abbott shall promptly notify MTI of its First Commercial Sale.

7. ORDER PLACEMENT

7.1 PURCHASE ORDERS AND ACKNOWLEDGMENTS

7.1.1 PURCHASE ORDERS. All purchases of the Products by Abbott from MTI shall be made by written purchase order specifying Product type, quantity, price, requested delivery schedule, delivery location, and shipping instructions. All purchases of the Products by Abbott from MTI during the Term shall be subject to the terms and conditions of this Agreement. Any additional or different terms and conditions in a purchase order or confirmation form which conflict with this Agreement shall be of no force and effect unless the parties specifically agree in writing to such conflicting terms and conditions.

7.1.2 ACCEPTANCE OF ORDERS. All orders and modifications to orders are subject to acceptance by MTI; provided, however, that MTI shall accept all purchase orders by Abbott for the Products as long as such orders are consistent with the current Forecasts (as described in Section 3.3 above). MTI

shall use commercially reasonable efforts to fill all other orders by Abbott for the Products hereunder. If MTI believes that it will not be able to satisfy Abbott's orders for the Products, MTI shall promptly notify Abbott, specifying the reasons for the delay and its expected duration.

7.2 TITLE AND DELIVERY OF PRODUCTS

7.2.1 All Products shall be delivered FOB, MTI's United States manufacturing facility, to the carrier designated by Abbott. If no such designation is made by Abbott, MTI shall select the most cost-effective carrier, given the time constraints known to MTI. MTI's title and the risk of loss to the Products shall pass to Abbott upon delivery of the Products to the carrier.

7.2.2 Abbott shall pay all taxes (including, without limitation, sales, value-added and similar taxes) payable with respect to the sale and purchase of Products under this Agreement, except for taxes based on MTI's income.

7.2.3 All Products shall be suitably packed for shipment and marked by MTI for shipment to Abbott's United States facilities designated in the purchase order. Abbott shall not export the Product outside the Territory, and shall pay all freight, insurance and other shipping expenses, as well as any special packing expense.

7.2.4 MTI may make partial shipments against Abbott's purchase orders upon mutual agreement of the parties.

7.2.5 Any delivery of Products by MTI to Abbott which fail to meet the Specifications shall be promptly returned to MTI at MTI's expense.

7.3 ORDER CHANGES

7.3.1 Abbott may reschedule each order once, provided no such rescheduling shall exceed forty-five (45) days from the originally scheduled ship date. MTI shall work with Abbott in good faith on a case by case basis to resolve any issues related to market changes and potential impact on orders placed with MTI.

7.3.2 Abbott may cancel all or any portion of an order or change the scope of an order at any time prior to fifteen (15) days before the scheduled ship date. Thereafter, Abbott may do so only with MTI's written approval.

7.4 RECALLS. The parties shall give prompt notice of any contemplated recall of any Products to the other party (including notice by MTI to Abbott of any such recall outside the Territory). The parties shall give each other full cooperation throughout the recall process whether such recall is voluntary or otherwise, and shall comply in full with applicable laws, regulations and governmental agency directives with respect to such recall. Any recall expenses

incurred by Abbott resulting from MTI QSR deficiencies, Product quality defects, Product performance defects or government actions will be fully reimbursed to Abbott from MTI.

8. PAYMENT AND RECORDS

8.1 PAYMENT TERMS. Abbott shall pay to MTI within forty-five (45) days of the receipt of invoice an estimated amount mutually agreed by the parties for the Cost specified in Section 6.1 above for each Product delivered during that month. Additionally, Abbott shall pay to MTI within forty-five (45) days of the end of each calendar quarter an actual amount for the commission on Product sales during such quarter as specified in Section 6.2. All payments shall be made in United States dollars. In accordance with Section4.10, Abbott may distribute as clinical samples up to * (*) of the total number of Products provided to Abbott under this Agreement without payment of commissions. Such samples will be included in any reconciliation as Net Sales at the price (if any) for such samples at zero dollars if the sample was distributed by Abbott free of charge, and the Cost for such samples shall be reimbursed by MTI to Abbott pursuant to Section 8.2.

8.2 QUARTERLY RECONCILIATION. At the end of each calendar quarter, Abbott shall reconcile the estimated payments made to MTI under Section 8.1 above with the actual Cost for the Products purchased during such calendar quarter and shall provide a report to MTI of such reconciliation within thirty (30) days after the end of such quarter. Specifically, reconciliations shall be made

(i) to account for unanticipated changes to Product ASPs, if such ASP changes served to affect Abbott's Costs paid pursuant to Sections 6.1 and 8.1, and

(ii) to account for non-revenue (e.g., sample) units distributed by Abbott but previously paid for by Abbott at a Cost equal to MTI's Standard Manufacturing Cost sold pursuant to Section 6.1.

If the reconciliation reveals that Abbott owes MTI additional amounts, Abbott shall remit payment of such amount with its report. If the reconciliation reveals that Abbott has overpaid in its estimated payment, MTI shall reimburse Abbott within ten (10) days of receipt of the report.

8.3 SALES RECORDS. No more frequently than once in any twelve (12) month period during the Term, upon MTI's request and at MTI's expense, Abbott shall allow an independent auditor mutually agreed upon by the parties to examine Abbott's books and records relating to the distribution and sale of the Products for the purpose of verifying the payments made by Abbott pursuant to Section 8. If, as a result of such examination, an underpayment or overpayment is found, the applicable party will rectify the underpayment or overpayment within thirty (30) days; provided that if such examination shows an underpayment by Abbott of more than ten percent (10%), then Abbott shall pay the cost of such

audit. The audit shall take place during Abbott's normal business hours, at a location to be designated by Abbott, and may not disrupt the operation of Abbott's business. The audit shall be completed within five (5) Business Days and shall cover a period not more than two (2) years back from the date of the audit. Scheduling of the audit shall be subject to mutual agreement of the parties.

8.4 COST RECORDS. No more frequently than once in any twelve (12) month period during the term of this Agreement, upon Abbott's request and at Abbott's expense, MTI shall allow an independent auditor mutually agreed upon by the parties to examine MTI's books and records relating to the Standard Manufacturing Cost for the purpose of verifying the Cost paid by Abbott pursuant to Section 6.1. If, as a result of such examination, an underpayment or overpayment is found, the applicable party will rectify the underpayment or overpayment within thirty (30) days; provided that if such examination shows an overpayment by Abbott of more than ten percent(10%), then MTI shall pay the cost of such audit. The audit shall take place during MTI's normal business hours, at a location to be designated by MTI, and may not disrupt the operation of MTI's business. The audit shall be completed within five (5) Business Days and shall cover a period not more than two (2) years back from the date of the audit. Scheduling of the audit shall be subject to mutual agreement of the parties.

9. RETURNS

Abbott may return for a refund any Product that does not meet MTI's warranty as set forth in Section 11.2. MTI shall issue a return material authorization ("RMA") number for such defective Product upon Abbott's request. At MTI's expense, Abbott shall return any such defective Product to MTI with documentation referencing the applicable RMA number. MTI shall submit such refund and reimbursement of the return shipment cost to Abbott within forty-five (45) days of receiving the defective Product.

9.2 Each Product delivered under this Agreement shall have, upon Abbott's receipt of such Product, at least seventy-five percent (75%) of the applicable original Product shelf-life remaining, except as otherwise agreed in writing by Abbott. At MTI's expense, Abbott may return for a refund or replacement, at Abbott's option, any Product that does not meet this requirement. MTI shall submit such refund and reimbursement for shipping costs or replacement Product to Abbott within forty-five (45) days of receiving the returned Product.

10. CONFIDENTIAL INFORMATION

10.1 IDENTIFICATION OF CONFIDENTIAL INFORMATION. Confidential Information provided by the disclosing party (or any of its Affiliates) and entitled to protection under this Agreement shall be identified as such by appropriate markings on any

documents exchanged. If the disclosing party provides information other than in written form, such information shall be considered Confidential Information only if the information by its nature would reasonably be considered of a confidential nature or if the receiving party, due to the context in which the information was disclosed, should have reasonably known it to be confidential, and the disclosing party gives written notice within ten (10) days of disclosure that such information is to remain confidential or the disclosing party had previously confirmed in writing that such information was confidential.

10.2 PROTECTION OF CONFIDENTIAL INFORMATION. Each party acknowledges that the other party claims its Confidential Information as a special, valuable and unique asset. During the Term and for three years (3) years thereafter, for itself and on behalf of its Affiliates, officers, directors, agents, and employees, each party agrees to the following:

10.2.1 Receiving party shall not disclose the Confidential Information to any third party or disclose to an employee unless such third party or employee has a need to know the Confidential Information in order to enable the disclosing party to exercise its rights or perform its obligations under this Agreement. Receiving party shall use the Confidential Information only for the purposes of exercising its rights or fulfilling its obligations under this Agreement and shall not otherwise use it for its own benefit. In no event shall the receiving party use less than the same degree of care to protect the Confidential Information as it would employ with respect to its own information of like importance which it does not desire to have published or disseminated;

10.2.2 If the receiving party faces legal action or is subject to legal proceedings requiring disclosure of Confidential Information, then, prior to disclosing any such Confidential Information, the receiving party shall promptly notify the disclosing party and, upon the disclosing party's request, shall cooperate with the disclosing party in responding to and/or contesting such request.

10.3 RETURN OF CONFIDENTIAL INFORMATION. All information furnished under this Agreement shall remain the property of the disclosing party and shall be returned to it or destroyed or purged promptly at its request upon termination of this Agreement; provided, however, that Abbott may retain Confidential Information of MTI as reasonably necessary for Abbott to be able to complete the sale of Products on order or in inventory at the time of termination and to support Products already sold by Abbott under this Agreement. All documents, memoranda, notes and other tangible embodiments whatsoever prepared by the receiving party based on or which includes Confidential Information shall be destroyed to the extent necessary to remove all such Confidential Information upon the disclosing party's request, except that one copy of such information that may be retained in the legal files of the receiving party. Upon the request of the

disclosing party, all destruction under this Section 10.3 shall be certified in writing to the disclosing party by an authorized representative of the receiving party.

10.4 RESIDUAL INFORMATION. Either party shall be free to use for any purpose (including, but not limited to, use in the development, manufacture, marketing and maintenance of its own products and services) the Residuals resulting from access to or work with Confidential Information of the other party, provided that the party maintains the confidentiality of the Confidential Information as provided herein. The term "Residuals" shall mean information in non-tangible form that may be inadvertently retained by persons who have had rightful access to the Confidential Information, including the ideas, concepts, know-how or techniques contained therein. Notwithstanding the provisions of this Section 10.4, during the Term, neither party may avoid its obligations toward a particular item of the Confidential Information merely by having a person commit such item to memory so as to reduce it to a non-tangible form. Further, this Section 10.4 does not provide to either party a license to use any patented, trademarked or copyrighted material of the other party.

10.5 LIMITATIONS. The confidentiality obligations in this Section 10 shall not apply to disclosed information which the receiving party can prove receiving party knows at the time of disclosure, free of any obligation to keep it confidential, as evidenced by written records; is or becomes generally publicly known through no fault of the receiving party; receiving party independently developed without the use of any Confidential Information, as evidenced by written records; or receiving party rightfully obtains from a third party who has the right to transfer or disclose it.

10.6 PUBLIC ANNOUNCEMENTS. Notwithstanding anything to the contrary contained in this Agreement, neither party may initiate any public announcement concerning the subject matter of this Agreement or the Convertible Subordinated Note Agreement without the prior written approval of the other party; provided, however, that this Section 10.6 shall not be construed to limit Abbott's ability to market the Products as it deems necessary or appropriate.

11. REPRESENTATIONS AND WARRANTIES

11.1 RECIPROCAL REPRESENTATIONS AND WARRANTIES. Each party represents and warrants to the other party as follows:

(i) It is a corporation duly organized and validly existing under the laws of its state or other jurisdiction of incorporation or formation;

(ii) It has the power and authority to execute and deliver this Agreement, and to perform its obligations hereunder;

(iii) The execution, delivery and performance by it of this Agreement and its compliance with the terms and provisions hereof does not and will not conflict with or result in a breach of any of the terms and provisions of or

constitute a default under (a) any loan agreement, guaranty, financing agreement, agreement affecting a product or other agreement or instrument binding or affecting it or its property, including but not limited to any agreements resulting in a Change of Control Event; (b) the provisions of its charter documents or by-laws; or (c) any order, writ, injunction or decree of any court or governmental authority entered against it or by which any of its property is bound;

(iv) No authorization, consent or approval of any governmental authority or third party is required for the execution, delivery or performance by it of this Agreement, and the execution, delivery or performance of this Agreement will not violate any law, rule or regulation applicable to such party; and

(v) This Agreement has been duly authorized, executed and delivered and constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms and subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to the availability of particular remedies under general equity principles.

11.2 MTI PRODUCT WARRANTIES. MTI warrants that the Products manufactured by MTI and delivered to Abbott hereunder shall (i) from the date of shipment until the end of the specified shelf-life (as specified in Section9.2) conform to the Specifications and all applicable laws and regulations relating to the manufacture of the Product, including, but not limited to FDA and Canadian Quality System Regulations, (ii) be transferred free and clear of any security interest, liens, and encumbrances, and (iii) not infringe any third party patents, trademarks, copyrights, or other third party proprietary rights.

11.3 YEAR 2000 WARRANTIES. The parties make the following warranties with respect to Year 2000 compliance:

(i) MTI warrants that all software used by it in the manufacture of Products and in its business relationship with Abbott will, on and following January1, 2000, have no lesser functionality with respect to records containing dates before or after January1, 2000 than previously with respect to dates prior to January2, 2000.

(ii) Abbott warrants that all software used by it in its business relationship with MTI will, on and following January1, 2000, have no lesser functionality with respect to records containing dates before or after January1, 2000 than previously with respect to dates prior to January1, 2000.

12 INDEMNIFICATION

12.1 INDEMNIFICATION. Subject to Section 12.3 below, MTI shall at its own expense, defend Abbott (including its Affiliates, directors, officers, employees and shareholders) against an "Indemnified Claim," as defined in Section 12.2 below, and hold Abbott (including its Affiliates, directors, officers, employees and

shareholders) harmless and indemnify Abbott (including its Affiliates, directors, officers, employees and shareholders) from any loss, expense, liability and/or settlement (including attorneys' fees) resulting from an Indemnified Claim.

12.2 INDEMNIFIED CLAIM. For purposes of this Agreement, an "Indemnified Claim" shall mean: (i) any claim asserting that Abbott's or any Customers' sale, purchase, possession, manufacturing in accordance with Section4.12, or use of the Products or any part thereof infringes any third party patent, trade secret, trademark, copyright or other proprietary right; (ii) any claim arising from or related to a failure of MTI to comply with its representations and warranties under this Agreement; and (iii) any claim asserting that the Products caused injury or death to a person or damage to property; except to the extent such Indemnified Claims arise from Abbott's negligence, willful misconduct or breach of this Agreement in which event Abbott shall indemnify MTI (including its Affiliates, directors, officers, employees and shareholders) from such claims.

12.3 LIMITATIONS. Each party's obligation to indemnify the other party is contingent upon the party seeking indemnification (i) promptly notifying the indemnifying party of such claim and (ii) cooperating with the indemnifying party in the defense thereof, of which the indemnifying party shall have control at the indemnifying party's expense. Notwithstanding the above, the party seeking indemnification shall have the right but not the obligation, at its own expense, to participate in any such defense.

12.4 INFRINGEMENTS. If a claim of patent or other proprietary right infringement is made by a third party with respect to a Product, then MTI, at its option, shall (i) obtain for Abbott the right to continue to market and distribute the Product at MTI's own expense, (ii) replace the Product with a functionally-equivalent non-infringing Product, or (iii) modify the Product so that it becomes non-infringing, so long as the functionality of the Product is not adversely affected. If MTI is unable to accomplish any of the foregoing within one hundred eighty (180) days of the initial claim of infringement, MTI shall grant Abbott a full refund of Costs paid by Abbott to MTI for all affected Products and accept return of them, and the parties shall remove all such affected Products from the Forecast for the remainder of the Term.

13. LIMITATION OF LIABILITY. EXCEPT FOR THE INDEMNIFICATION OBLIGATIONS UNDER SECTION 12, NEITHER PARTY SHALL, BY REASON OF THE TERMINATION OF THIS AGREEMENT OR OTHERWISE, BE LIABLE TO THE OTHER PARTY FOR ANY CONSEQUENTIAL, SPECIAL, INCIDENTAL, OR OTHER DAMAGES (INCLUDING WITHOUT LIMITATION LOSS OF PROFIT) WHETHER OR NOT ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

14. TERM AND TERMINATION

14.1 INITIAL TERM AND RENEWAL. The Initial Term shall commence as of the Effective Date and shall continue for the remainder of calendar year 1998 and for ten (10) full calendar years thereafter, unless terminated earlier pursuant to this Section 14 and subject to the provisions of Section 14.5. The Initial Term may be extended pursuant to this Section14.1 and/or Section15.5.

14.1.1 EXTENSION BY MUTUAL AGREEMENT. During the Term, the parties may negotiate and mutually agree to extend the Term, whether for renewal periods or for a fixed period.

14.1.2 EXTENSION BY ABBOTT. Abbott may extend the Term for a five (5) year extension for each five (5) full calendar year period in which Abbott attains * (*) of the Aggregate Sales Forecast (which shall mean the sum of all individual Product Line Forecasts in any given calendar year) in at least three (3) of the five (5) calendar years of the period. The five (5) full calendar year periods to which this provision is applicable shall include the first full five (5) calendar years of the Initial Term (i.e., 1999-2003), the second full five (5) calendar years of the Initial Term (i.e., 2004-2008), and, as applicable, any additional five (5) full calendar year extensions if Abbott extends the Term pursuant to this Section14.1.2 (i.e., 2009-2013, etc.). Abbott may exercise this extension upon written notice to MTI, which notice shall be given no later than ninety (90) days after the end of each applicable five (5) calendar year period.

14.2 TERMINATION BY ABBOTT. Abbott may terminate this Agreement at any time upon one hundred and eighty (180) days written notice to MTI.

14.3 TERMINATION BY MTI. MTI may terminate this Agreement upon twelve (12) months written notice to Abbott if Abbott fails to attain * (*) of the Aggregate Sales Forecast in at least three (3) of the first five (5) full calendar years of the Initial Term (as per Exhibit2); provided, however, that within ninety (90) days of the conclusion of any of the first five (5) calendar years of the Agreement in which Abbott has not attained * (*) of the Aggregate Sales Forecast, Abbott may, at its option, purchase additional Product from MTI at the appropriate Cost and pay MTI the appropriate commission on such purchases necessary to compensate for the shortfall between * (*) of the Aggregate Sales Forecast and actual Net Sales of Products in such year. If Abbott exercises such option for any calendar year, Abbott shall be deemed to have attained * (*) of the Aggregate Sales Forecast for such year.

14.4 TERMINATION BASED ON CHANGE OF CONTROL EVENT. MTI or MTI's Successor may terminate this Agreement for a Change of Control Event affecting MTI upon ninety (90) days prior written notice to Abbott. Termination subsequent to a Change of Control Event shall occur by one of the following two mechanisms:

14.4.1 ABBOTT BUYOUT OF PRODUCT LINES. For a period of ninety (90) days following Abbott's receipt of notice from MTI of a Change in Control Event, the parties shall discuss Abbott's potential buyout of the Product Lines. Upon mutual agreement of Abbott and MTI's Successor, Abbott shall purchase all of the pertinent manufacturing assets (tooling, assembly and packaging equipment, manufacturing know-how and specifications) for the Products and all intellectual property rights (patents, additional commercial know-how and the MTI Trademarks) for the Products in the Field and in the Territory from MTI's Successor for a price of * (*) * for the most recent full calendar year prior to the Change of Control Event.

14.4.2 MTI'S SUCCESSOR BUYOUT OF AGREEMENT. In the event that Abbott and MTI's Successor do not agree to proceed with the Abbott buyout of Product Lines pursuant to Section14.4.1 within ninety (90) days, MTI 's Successor may terminate this Agreement, and Abbott shall thereby relinquish all distribution rights under this Agreement, upon one hundred and eighty (180) days prior written notice, conditioned upon payment of a "Termination Fee" to Abbott. The Termination Fee shall be calculated and payable over a five (5) year period as follows:

YEAR AFTER EFFECTIVE DATE OF TERMINATION	AMOUNT PAYABLE AS A % OF ABBOTT'S NET SALES IN 12 MONTHS PRECEDING EFFECTIVE DATE OF TERMINATION
Year 1	*
Year 2	*
Year 3	*
Year 4	*
Year 5	*

Such amounts shall be payable by MTI's Successor to Abbott once annually on the anniversary of the effective date of termination for a period of five (5) years following termination of this Agreement.

Following an MTI Change of Control Event, if MTI's Successor fails to notify Abbott of its intention to terminate this Agreement within ninety (90) days of such MTI Change of Control Event, the Agreement shall remain in effect, provided that if MTI ceases to exist as a corporate entity, MTI's Successor has taken assignment of and assumed all rights and obligations of MTI under the terms and conditions of the Agreement for the remainder of the Term.

14.4.3 TERMINATION BY MTI FOR IMPASSE OVER FORECASTS. Additionally, if the Initial Term is extended pursuant to Sections14.1.1 or 14.1.2 and the parties are unable to reach agreement for a Forecast for any calendar

year beyond the Initial Term, then MTI may terminate this Agreement, and Abbott shall thereby relinquish all distribution rights under this Agreement, upon one hundred and eighty (180) days written notice of an unresolvable impasse from MTI to Abbott, conditioned upon payment of a Termination Fee calculated as set forth in Section14.4.2. Such amounts shall be payable by MTI to Abbott once annually on the anniversary of the effective date of termination for a period of five (5) years following termination of this Agreement.

14.4.4 TERMINATION FOR CAUSE. Either party may terminate this Agreement by giving the other party ninety (90) days written notice of such termination if the other party materially breaches or defaults in any of the material terms or conditions of this Agreement, the Note Agreement, the Credit Agreement or the Security Agreement and fails to cure such breach or default within ninety (90) days of receiving notice thereof.

14.5 THE EFFECT OF TERMINATION

14.5.1 DELIVERY OF PREVIOUSLY ORDERED PRODUCTS. Upon any termination of this Agreement by MTI, Abbott shall be entitled to have delivered the Products ordered prior to termination.

14.5.2 DISPOSITION OF INVENTORY. Upon any termination of this Agreement, Abbott may, at its option, either sell all or any part of its remaining inventory of the Products to Customers or sell to MTI all or any part of Abbott's remaining inventory of the Products (excluding discontinued and demonstration units). MTI shall repurchase all of the Products that Abbott decides to sell to MTI. Abbott must exercise the right to resell to MTI within sixty (60) days after termination of this Agreement. The price for such inventory shall be the Cost paid by Abbott to MTI for such Products, plus Abbott's shipping and handling costs.

14.5.3 SURVIVAL. Sections2.2, 4.8, 6.1, 6.2, 7.4, 8.1-8.4, 9.1, 9.2, 10.1-10.6, 11.2, 12.1-12.4, 13, 14.4, 14.5, 15.1 and 15.4-15.11 shall survive any termination of this Agreement.

15. GENERAL PROVISIONS

15.1 NO WAIVER. The failure of either party to enforce at any time or for any period any of the provisions of this Agreement shall not be construed to be waiver of those provisions or of the right of that party thereafter to enforce each and every provision hereof.

15.2 ASSIGNMENT. Except as otherwise provided herein, this Agreement shall not be assignable by either party without the prior written consent of the other party. Any attempted assignment not otherwise permitted herein shall be void. The provisions hereof shall be binding upon and inure to the benefit of the parties, their successors and permitted assigns.

15.3 NOTICES. Any notice, report or statement to either party required or permitted under this Agreement shall be in writing and shall be sent by certified mail, return receipt requested, postage prepaid, or by facsimile transmission with confirmation sent by certified mail as above, or by courier, such as Federal Express, DHL or the like, with confirmation of receipt by signature requested, directed to the other party at its mailing address set forth below, or to such other mailing address as the party may from time to time designate by prior written notice in accordance herewith. Any such notice, report or statement sent in accordance with this Section15.3 shall be deemed duly given upon receipt.

15.4 GOVERNING LAW AND DISPUTE RESOLUTION. This Agreement (and any other documents referred to herein) shall be construed in accordance with the laws of the State of California without reference to choice of law principles, as to all matters, including, but not limited to, matters of validity, construction, effect or performance. Any disputes between the parties relating to this Agreement that cannot be resolved amicably shall be resolved by binding Alternative Dispute Resolution in accordance with the attached Exhibit4.

15.5 FORCE MAJEURE. The parties shall not be liable for any delay or failure of obligations under this Agreement, in whole or in part, for any causes beyond the reasonable control of the parties, including, but not limited to, acts of God, war, riot, civil disturbances, strikes, lockouts or other labor disputes, accident of transportation or other force majeure. If MTI is unable to supply to Abbott any of the Products for any period of time, then MTI shall immediately notify Abbott of such inability, stating the reasons therefor and the estimated time of the delay and the Forecasts shall be adjusted accordingly by mutual written agreement. In such event, and upon Abbott's request, the Term shall be extended for a period equal to the period of time in which MTI is unable to supply Products to Abbott.

15.6 TITLES OF SECTIONS. The titles of the various sections of this Agreement are used for convenience of reference only and are not intended to and shall not in any way enlarge or diminish the rights or obligations of the parties or affect the meaning or construction of this document.

15.7 INVESTIGATION; JOINT PREPARATION. Each party acknowledges that it has had adequate opportunity to make whatever investigation or inquiry it deems necessary or desirable in connection with the subject matter of this Agreement prior to the execution hereof. Each party further acknowledges that it has read and understands each provision of this Agreement. This Agreement has been prepared jointly by the parties and shall not be strictly construed against either party, it being agreed that each party has had an opportunity to consult with counsel of its own choosing regarding the term and conditions of this Agreement.

15.8 BINDING EFFECT. This Agreement shall be binding upon and inure to

the benefits of the parties hereto and, and their respective successor and permitted assigns.

15.9 INTEGRATION/MODIFICATION/ENTIRE AGREEMENT. This Agreement, together with the attached Exhibits and the Note Agreement, sets forth the entire agreement and understanding between the parties as to the subject matter hereof, and supersedes, integrates and merges all prior discussions, correspondence, negotiations, understandings or agreements. This Agreement may not be altered, amended, modified or otherwise changed in any way except by a written instrument, which specifically identifies the intended alteration, amendment, modification or other change, clearly expresses the intention to so change this Agreement, and is signed by an authorized representative of each of the parties.

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

15.11 SEVERABILITY. If any provision, or portion thereof, of this Agreement shall be held to be invalid, illegal, void or otherwise unenforceable, such provision, or portion thereof, shall be amended to achieve as nearly as possible the same economic effect as the original provision to the fullest extent permitted by applicable law, and the validity, legality and enforceability of the remainder of the Agreement will remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the Effective Date.

MICRO THERAPEUTICS, INC.	ABBOTT LABORATORIES
By:	By:
Title:	Title:
Date:	Date:

EXHIBIT 1

LIST OF PRODUCTS FROM
PRODUCT CATALOGUE (DOMESTIC PRICE LIST)

VALVED INFUSION CATHETERS

CURRENT EXP. 18 MONTHS (36 MONTH EXPIRATION PENDING, SEPTEMBER 1998)

CRAGG-MCNAMARA-Registered Trademark- VALVED INFUSION CATHETERS

Model #	Diameter (F)	Usable Length (Cm)	Infusion Length (Cm)	Max. Guidewire (In.)
201-0236	4	40	5	.035
201-0237	4	40	10	.035
201-0238	4	40	20	.035
201-0230	4	65	5	.035
201-0232	4	65	10	.035
201-0234	4	65	20	.035
201-0231	4	100	5	.035
201-0233	4	100	10	.035
201-0235	4	100	20	.035
201-0239	4	135	5	.035
201-0240	4	135	10	.035
201-0241	4	135	20	.035
201-0216	5	40	5	.038
201-0217	5	40	10	.038
201-0218	5	40	20	.038
201-0210	5	65	5	.038
201-0212	5	65	10	.038
201-0214	5	65	20	.038
201-0211	5	100	5	.038
201-0213	5	100	10	.038
201-0215	5	100	20	.038
201-0227	5	100	30	.038
201-0228	5	100	40	.038
201-0229	5	100	50	.038
201-0219	5	135	5	.038
201-0220	5	135	10	.038
201-0221	5	135	20	.038
201-0222	5	135	30	.038
201-0223	5	135	40	.038
201-0224	5	135	50	.038

FOCUSED-TM- VALVED INFUSION CATHETERS

CURRENT EXP. 18 MONTHS (36 MONTH EXPIRATION PENDING, SEPTEMBER 1998)

Model #	Diameter (F)	Usable Length (Cm)	Infusion Length (Cm)	Max. Guidewire (In.)
201-0225	5	65	1	.038
201-0226	5	100	1	.038

PERIPHERAL MICRO CATHETERS

CURRENT EXP. 12 MONTHS (36 MONTH EXPIRATION PENDING, SEPTEMBER 1998)

MICROMEWI-TM- SIDEHOLE INFUSION CATHETERS

Model #	Diameter (F)	Usable Length (Cm)	Infusion Length (Cm)	Max. Guidewire (In.)
201-0120	2.9	150	5	.018
201-0121	2.9	150	10	.018
201-0122	2.9	40	5	.018
201-0124	2.9	180	5	.018
201-0125	2.9	180	10	.018

MICRO PATENCY-TM- ENDHOLE INFUSION CATHETERS

EXP. 5 YEARS

Model #	Diameter (F)	Usable Length (Cm)	Infusion Length (Cm)	Max. Guidewire (In.)
201-5020	2.9	40	Endhole	.018
201-5021	2.9	100	Endhold	.018
201-5022	2.9	150	Endhole	.018

SIDEHOLE INFUSION CATHETERS

CURRENT EXP. 18 MONTHS (36 MONTH EXPIRATION PENDING, SEPTEMBER 1998)

MEWI-5-TM- SIDEHOLE INFUSION CATHETERS

Model #	Diameter (F)	Usable Length (Cm)	Infusion Length (Cm)	Max. Guidewire (In.)
201-0150	5	40	5	.035
201-0151	5	40	10	.035
201-0152	5	40	15	.035
201-0153	5	65	5	.035
201-0154	5	65	10	.035
201-0155	5	65	15	.035
201-0156	5	100	5	.035
201-0157	5	100	10	.035
201-0158	5	100	15	.035
201-0160	5	40	5	.038
201-0161	5	40	10	.038
201-0162	5	40	15	.038
201-0163	5	65	5	.038
201-0164	5	65	10	.038
201-0165	5	65	15	.038
201-0166	5	100	5	.038
201-0167	5	100	10	.038
201-0168	5	100	15	.038

MECHANICAL THROMBOLYSIS

CRAGG THROMBOLYTIC BRUSH-TM-

EXP. 18 MONTHS

Model #	Catheter Diameter (F)	Usable Length (Cm)	Infusion Length (Cm)		Brush Diameter (mm)
202-0101	6	65	Endhole	6	

Contents:
A System contains one Brush Catheter and one Brush Motor Drive Unit

CASTANEDA OVER-THE-WIRE BRUSH-TM-

EXP. 18 MONTHS

Model #	Catheter Diameter (F)	Usable Length (Cm)	Infusion Length (Cm)	Brush Diameter (mm)
202-0107	6	65	Endhole & Sidehole	6

Max Guidewire: .035
Contents:
A System contains one Brush Catheter and one Brush Motor Drive Unit

ACCESSORIES

INTRODUCER SHEATHS

EXP. 5 YEARS

Model #	Size (F)	Sheath Length (Cm)
203-6001-P10	6	5.5
203-6002-P10	5	40

Contents Per Pack (all models)
1-Hemostasis value with hi-flow sideport and removable 3-way stopcock
1-radiopaque sheath
1-vessel dilator

PULSE-SPRAY ACCESSORY PACK

EXP. 2001

Model #	
203-9000-P5	Contents Per Pack (all models): 1-dual check valve 1-1cc luer lock syringe 1-20cc luer lock syringe

INFUSION WIRES

EXP. 18 MONTHS

PROSTREAM SIDEHOLE INFUSION WIRES

Model #	Diameter (In.)	Usable Length (Cm)	Infusion Length (Cm)	Max. Guidewire (In.)
201-0410	.035	145	3	N/A
201-0411	.035	145	6	N/A
201-0412	.035	145	9	N/A
201-0413	.035	145	12	N/A
201-0414	.035	175	3	N/A
201-0415	.035	175	6	N/A
201-0416	.035	175	9	N/A
201-0417	.035	175	12	N/A
201-0610	.035	145	Endhole	N/A
201-0611	.038	145	Endhole	N/A

EXHIBIT 2

NET SALES FORECAST

FIVE (5) YEAR ANNUAL NET SALES FORECAST
(NET SALES IN THOUSANDS OF DOLLARS)

	1998	1999	2000	2001	2002	2003
NET SALES - THROMBOLYTIC BRUSHES#	*	*	*	*	*	*
NET SALES - INFUSION CATHETERS#	*	*	*	*	*	*
NET SALES - INFUSION GUIDEWIRES#	*	*	*	*	*	*
NET SALES - PERIPHERAL MICRO CATHS#	*	*	*	*	*	*
NET SALES - ACCESSORIES#	*	*	*	*	*	*
TOTAL	*	*	*	*	*	*

OR EQUIVALENT PRODUCTS

EXHIBIT 2 (cont)

TWELVE (12) MONTH MONTHLY NET SALES FORECAST
(NET SALES IN THOUSANDS OF DOLLARS)

	OCT '98	NOV-99	DEC-98	JAN-99	FEB-99	MAR-99	APR-99	MAY-99	JUN-99	JUL-99	AUG-99	SEP-99
NET SALES - THROMBOLYTIC BRUSHES	*	*	*	*	*	*	*	*	*	*	*	*
NET SALES - INFUSION CATHETERS	*	*	*	*	*	*	*	*	*	*	*	*
NET SALES - INFUSION GUIDEWIRES	*	*	*	*	*	*	*	*	*	*	*	*
NET SALES - PERIPHERAL MICRO CATHS	*	*	*	*	*	*	*	*	*	*	*	*
NET SALES - ACCESSORIES	*	*	*	*	*	*	*	*	*	*	*	*
	*	*	*	*	*	*	*	*	*	*	*	*

EXHIBIT 3

POST-MARKET CLINICAL DEVELOPMENT PROGRAM

Pursuant to Section 4.1.5, the following represents the Clinical Development program:

I. *

II. *

III. *

IV. *

EXHIBIT 4

ADR (ALTERNATIVE DISPUTE RESOLUTION)

The parties recognize that a bona fide dispute as to certain matters may arise from time to time during the term of this Agreement which relates to either party's rights and/or obligations. To have such a dispute resolved by this Alternative Dispute Resolution ("ADR") provision, a party first must send written notice of the dispute to the other party for attempted resolution by good faith negotiations between their respective presidents (or their equivalents) of the affected subsidiaries, divisions, or business units within twenty-eight (28) days after such notice is received (all references to "days" in this ADR provision are to calendar days).

If the matter has not been resolved within twenty-eight (28) days of the notice of dispute, or if the parties fail to meet within such twenty-eight (28) days, either party may initiate an ADR proceeding as provided herein. The parties shall have the right to be represented by counsel in such a proceeding.

1. To begin an ADR proceeding, a party shall provide written notice to the other party of the issues to be resolved by ADR. Within fourteen (14) days after its receipt of such notice, the other party may, by written notice to the party initiating the ADR, add additional issues to be resolved within the same ADR.

2. Within twenty-one (21) days following receipt of the original ADR notice, the parties shall select a mutually acceptable neutral to preside in the resolution of any disputes in this ADR proceeding. If the parties are unable to agree on a mutually acceptable neutral within such period, either party may request the President of the CPR Institute for Dispute Resolution ("CPR"), 366 Madison Avenue, 14th Floor, New York, New York 10017, to select a neutral pursuant to the following procedures:

(a) The CPR shall submit to the parties a list of not less than five (5) candidates within fourteen (14) days after receipt of the request, along with a CURRICULUM VITAE for each candidate. No candidate shall be an employee, director, or shareholder of either party or any of their subsidiaries or affiliates.

(b) Such list shall include a statement of disclosure by each candidate of any circumstances likely to affect his or her impartiality.

(c) Each party shall number the candidates in order of preference (with the number one (1) signifying the greatest preference) and shall deliver the list to the CPR within seven (7) days following receipt of the list of candidates. If a party believes a conflict of interest exists regarding any of the candidates, that party shall provide a written explanation of the conflict to the CPR along with its list showing its order of preference for the candidates. Any party failing to return a list of preferences on time shall be deemed to have no order of preference.

(d) If the parties collectively have identified fewer than three (3) candidates deemed to have conflicts, the CPR immediately shall designate as the neutral the candidate for whom the parties collectively have indicated the greatest preference. If a tie should result between two candidates, the CPR may designate either candidate. If the parties collectively have identified three (3) or more candidates deemed to have conflicts, the CPR shall review the explanations regarding conflicts and, in its sole discretion, may either (i) immediately designate as the neutral the candidate for whom the parties collectively have indicated the greatest preference, or (ii) issue a new list of not less than five (5) candidates, in which case the procedures set forth in subparagraphs 2(a) - 2(d) shall be repeated.

3. No earlier than twenty-eight (28) days or later than fifty-six (56) days after selection, the neutral shall hold a hearing to resolve each of the issues identified by the parties. The ADR proceeding shall take place at a location in the State of California agreed upon by the parties. If the parties cannot agree, the neutral shall designate a location in the State of California other than the principal place of business of either party or any of their subsidiaries or affiliates.

4. At least seven (7) days prior to the hearing, each party shall submit the following to the other party and the neutral:

(a) a copy of all exhibits on which such party intends to rely in any oral or written presentation to the neutral;

(b) a list of any witnesses such party intends to call at the hearing, and a short summary of the anticipated testimony of each witness;

(c) a proposed ruling on each issue to be resolved, together with a request for a specific damage award or other remedy for each issue. The proposed rulings and remedies shall not contain any recitation of the facts or any legal arguments and shall not exceed one (1) page per issue.

(d) a brief in support of such party's proposed rulings and remedies, provided that the brief shall not exceed twenty (20) pages. This page limitation shall apply regardless of the number of issues raised in the ADR proceeding.

Except as expressly set forth in subparagraphs 4(a) - 4(d), no discovery shall be required or permitted by any means, including depositions, interrogatories, requests for admissions, or production of documents.

5. The hearing shall be conducted on two (2) consecutive days and shall be governed by the following rules:

(a) Each party shall be entitled to five (5) hours of hearing time to present its case. The neutral shall determine whether each party has had the five (5) hours to which it is entitled.

(b) Each party shall be entitled, but not required, to make an opening statement, to present regular and rebuttal testimony, documents or other evidence, to cross-examine witnesses, and to make a closing argument. Cross-examination of witnesses shall occur immediately after their direct testimony, and cross-examination time shall be charged against the party conducting the cross-examination.

(c) The party initiating the ADR shall begin the hearing and, if it chooses to make an opening statement, shall address not only issues it raised but also any issues raised by the responding party. The responding party, if it chooses to make an opening statement, also shall address all issues raised in the ADR. Thereafter, the presentation of regular and rebuttal testimony and documents, other evidence, and closing arguments shall proceed in the same sequence.

(d) Except when testifying, witnesses shall be excluded from the hearing until closing arguments.

(e) Settlement negotiations, including any statements made therein, shall not be admissible under any circumstances. Affidavits prepared for purposes of the ADR hearing also shall not be admissible. As to all other matters, the neutral shall have sole discretion regarding the admissibility of any evidence.

6. Within seven (7) days following completion of the hearing, each party may submit to the other party and the neutral a post-hearing brief in support of its proposed rulings and remedies, provided that such brief shall not contain or discuss any new evidence and shall not exceed ten (10) pages. This page limitation shall apply regardless of the number of issues raised in the ADR proceeding.

7. The neutral shall rule on each disputed issue within fourteen (14) days following completion of the hearing. Such ruling shall adopt in its entirety the proposed ruling and remedy of one of the parties on each disputed issue but may adopt one party's proposed rulings and remedies on some issues and the other party's proposed rulings and remedies on other issues. The neutral shall not issue any written opinion or otherwise explain the basis of the ruling.

8. The neutral shall be paid a reasonable fee plus expenses. These fees and expenses, along with the reasonable legal fees and expenses of the prevailing party (including all expert witness fees and expenses), the fees and expenses of a court reporter, and any expenses for a hearing room, shall be paid as follows:

(a) If the neutral rules in favor of one party on all disputed issues in the ADR, the losing party shall pay 100% of such fees and expenses.

(b) If the neutral rules in favor of one party on some issues and the other party on other issues, the neutral shall issue with the rulings a written determination as to how such fees and expenses shall be allocated between the parties. The neutral shall allocate fees and expenses in a way that bears a reasonable relationship to the outcome of the ADR, with the party prevailing on more issues, or on issues of greater value or gravity, recovering a relatively larger share of its legal fees and expenses.

9. The rulings of the neutral and the allocation of fees and expenses shall be binding, non-reviewable, and non-appealable, and may be entered as a final judgment in any court having jurisdiction.

10. Except as provided in paragraph 9 or as required by law, the existence of the dispute, any settlement negotiations, the ADR hearing, any submissions (including exhibits, testimony, proposed rulings, and briefs), and the rulings shall be deemed Confidential Information. The neutral shall have the authority to impose sanctions for unauthorized disclosure of Confidential Information.

EXHIBIT 4

PORTIONS OF THIS DOCUMENT HAVE BEEN OMITTED (DESIGNATED BY AN ASTERISK (*)) AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT DATED AUGUST 28, 1998

CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this "Agreement"), is entered into as of August 12, 1998, by and between ABBOTT LABORATORIES, an Illinois corporation ("Abbott"), as lender, and MICRO THERAPEUTICS, INC., a Delaware corporation (the "Company"), as borrower.

W I T N E S S E T H:

WHEREAS, Abbott has purchased from the Company, and the Company has sold to Abbott, a certain 5% Convertible Subordinated Note, due August 19, 2003, in the principal aggregate amount of Five Million Dollars ($5,000,000) (the "Note") pursuant to the terms and conditions of that certain Convertible Subordinated Note Agreement, dated as of August12, 1998, by and between Abbott and the Company (the "Note Agreement"); and

WHEREAS, pursuant to Section6 of the Note Agreement, the Company and Abbott agreed to enter into this Credit Agreement, which provides that Abbott, as lender, shall loan to the Company, as borrower at the Company's request, an amount not to exceed an aggregate of Five Million Dollars ($5,000,000).

NOW, THEREFORE, in consideration of the premises and of the mutual provisions, agreements and covenants contained herein, the Company and Abbott hereby agree as follows:

1. DEFINITIONS. In addition to any terms defined elsewhere in this Agreement, the following terms have the meanings indicated for purposes of this Agreement (such definitions being equally applicable to the singular and plural forms of the defined term):

"Acceleration" means that the Loan (i)shall not have been paid at the Maturity Date, or (ii)shall have become due and payable prior to its stated maturity pursuant to Section7.2 hereof.

"Disbursement Date" means any date on or prior to July31, 1999 on which a disbursement of the Loan is made. Each Disbursement Date shall be on the date designated in a written notice from the Company to Abbott; provided, however, that

(a)Abbott shall not be required to make any disbursement if the conditions hereto and the Note Agreement are not satisfied, and (b)Abbott shall in no event be required to make any disbursement after July 31, 1999.

"Maturity" means any date on which the Loan or any portion thereof becomes due and payable, whether as stated or by virtue of mandatory prepayment, by acceleration or otherwise.

"Maturity Date" means the fifth year anniversary of the first Disbursement Date.

"Obligations" means all loans, advances, debts, liabilities, obligations, covenants and duties owing to Abbott by the Company, of any kind or nature, present or future, whether or not evidenced by any note, guaranty or other instrument, arising under this Agreement.

Each accounting term not defined herein and each accounting term partly defined herein to the extent not defined shall have the meaning given to it under generally accepted accounting principles.

2. LOAN.

2.1 PROCEDURE FOR LOAN. Subject to all of the terms and conditions of this Agreement and the Note Agreement, Abbott agrees to make periodic loans (the "Loan") prior to July31, 1999 to the Company in the amount of up to Five Million Dollars ($5,000,000) to be governed by the terms and conditions of, and repaid in accordance with, this Agreement and the Note Agreement. The Company shall provide Abbott with fifteen (15) business days (as defined in the Note Agreement) written notice of a requested disbursement. Disbursement amounts shall be in multiples of One Million Dollars ($1,000,000). Subject to the satisfaction of the terms and conditions set forth in this Agreement and the Note Agreement, Abbott shall disburse up to Five Million Dollars ($5,000,000) to the Company at the Company's request. Amounts repaid may not be reborrowed.

2.2 INTEREST.

(a) INTEREST. The Loan shall bear interest from the date of disbursement on the unpaid principal amount thereof until the earlier of an Event of Default or the date upon which such amount shall become due and payable (whether upon Maturity, by Acceleration or otherwise) at a rate per annum equal to five percent (5%).

(b) ACCRUAL AND COMPUTATION OF INTEREST. Interest shall accrue daily and shall be computed on the basis of a year of 360 days for the actual number of days elapsed.

2.3 MAXIMUM INTEREST RATE. Nothing in this Agreement shall require the

Company to pay interest at a rate exceeding the maximum amount permitted by applicable law to be charged by Abbott.

2.4 REPAYMENT.

(a) INTEREST PAYMENTS. On the last day of each quarter payable in arrears on January 31, April 30, July 31 and October 31, commencing with the quarter of the first Disbursement Date until the Maturity Date, and on the Maturity Date, the Company shall pay Abbott all interest then accrued.

(b) LOAN PAYMENT. The Company shall repay the entire outstanding principal amount of the Loan in full on the Maturity Date.

(c) OPTIONAL PREPAYMENT. The Company may at any time prepay the entire outstanding principal amount of the Loan or any portion thereof without penalty.

2.5 POST-MATURITY INTEREST. After the earlier of an Event of Default or Maturity (whether by Acceleration or otherwise) of the Loan, the Loan shall bear interest, payable on demand, at a rate per annum equal to ten percent (10%), subject to Section2.3 hereof.

2.6 CREDIT FACILITY NOTE. The Loan made by Abbott pursuant hereto shall be evidenced by a credit facility note (the "Credit Facility Note") of the Company in the form of AnnexA hereto, payable to the order of Abbott on the Maturity Date in the principal amount of up to Five Million Dollars ($5,000,000) in accordance with Section2.1 hereof. The Company hereby authorizes Abbott to indicate upon a schedule attached to the Credit Facility Note all disbursements made by Abbott pursuant to this Agreement and all payments of principal and interest thereon. Absent manifest error, such notations shall be presumptive as to the aggregate unpaid principal amount of the Loan, and interest due thereon, but the failure by Abbott to make such notations or the inaccuracy or incompleteness of any such notations shall not affect the obligations of the Company hereunder or under the Credit Facility Note.

2.7 PAYMENTS BY THE COMPANY. All payments (including prepayments) to be made by the Company shall be made without set-off or counterclaim and shall be made to Abbott by wire transfer in United States dollars and in immediately available funds to the following Abbott account: * for credit to Abbott Laboratories Account * (or to such other account as may be designated by written notice to the Company), no later than 12:00noon, Pacific time, of the business day on which payment is due. Any payment which is received in Abbott's account later than 12:00noon, Pacific time, shall be deemed to have been received on the immediately succeeding

business day. Whenever any payment hereunder shall be stated to be due on a day other than a business day, such payment shall be made on the next succeeding business day, and such extension of time shall in such case be included in the computation of interest.

3. CONVERSION OF CREDIT FACILITY NOTE.

3.1 CONVERSION PRIVILEGE AND CONVERSION PRICE.

(a) Subject to and upon compliance with the provisions of this Section 3, at the option of the Company at any time and at the Company's sole discretion without regard to the price of the Common Stock (except as set forth in Section3.1(b)) and the Conversion Price (as defined herein), the Credit Facility Note or any portion of the principal amount thereof which is One Million Dollars ($1,000,000) or an integral multiple of One Million Dollars ($1,000,000) (a "$1,000,000 Integral Multiple") may be converted at the principal amount thereof, or of such portion thereof, into fully paid and nonassessable shares of Common Stock at the Conversion Price, in effect at the time of conversion. Such conversion right shall expire at the close of business on the Maturity Date. The price at which shares of Common Stock shall be delivered upon conversion (the "Conversion Price") shall be initially * of Common Stock, unless the Conversion Price shall be adjusted in certain instances as provided in this Section 3.

(b) The Company shall not have the option to convert the Credit Facility Note into shares of Common Stock (i) to the extent that such shares of Common Stock, together with the shares of Common Stock then beneficially owned by Abbott, would exceed 19% of the then outstanding shares of Common Stock of the Company (giving effect to such issuance upon conversion to Abbott) or (ii) if the Fair Market Value of the Common Stock as of the date that written notice of conversion is provided to Abbott shall be less than * .

"Fair Market Value" of the Common Stock as of any date of determination means the arithmetic mean of the reported last sale price of the Common Stock regular way on each of the 20 trading days preceding such date of determination or, if no such sale takes place on any of such days, the average of the reported closing bid and asked prices regular way, in each case on the principal national securities exchange on which the security is listed or admitted to trading, or, if the security is not listed or admitted to trading on any national securities exchange, the closing sales prices, or, if there are no closing sales prices on any such days, the average of the closing bid and asked prices, in the Nasdaq Stock Market or other over-the-counter market as reported by the National Association of Securities Dealers Automated Quotation System, or, if not so reported, the fair market value of the security as estimated by a nationally recognized investment banking firm selected by Abbott and acceptable to

the Company in the exercise of its reasonable discretion, which estimate shall be prepared at the expense of the Company.

3.2 EXERCISE OF CONVERSION PRIVILEGE. Upon receipt of written notice of conversion (pursuant to Section 8.1 hereof) in the form provided on the Credit Facility Note, Abbott shall immediately surrender the Credit Facility Note or any $1,000,000 Integral Multiple thereof duly endorsed or assigned to the Company or in blank, at any office or agency of the Company maintained for that purpose. No payment or adjustment shall be made upon any conversion on account of any interest accrued on the Credit Facility Note surrendered for conversion or on account of any dividends on the Common Stock issued upon conversion.

The Credit Facility Note shall be deemed to have been converted immediately prior to the close of business on the day of mailing of the written notice of conversion (pursuant to Section8.1 hereof) by the Company, and at such time the rights of Abbott shall cease, and the Person or Persons entitled to receive the Common Stock issuable upon conversion shall be treated for all purposes as the record holder or holders of such Common Stock at such time. As promptly as practicable on or after the conversion date, the Company shall issue and shall deliver at such office or agency a certificate or certificates for the number of duly authorized, validly issued, fully paid and nonassessable shares of Common Stock issuable upon conversion, together with payment in lieu of any fraction of a share, as provided in Section 3.3 hereof.

In the case of any Credit Facility Note which is converted in part only, upon such conversion, the Company shall execute and deliver to Abbott, at the expense of the Company, a new Credit Facility Note or Credit Facility Notes of authorized denominations in the aggregate principal amount equal to the unconverted portion of the principal amount of the Credit Facility Note.

3.3 FRACTIONS OF SHARES. No fractional shares of Common Stock shall be issued upon conversion of the Credit Facility Note or $1,000,000 Integral Multiple thereof. Instead of any fractional share of Common Stock which would otherwise be issuable upon the conversion of the Credit Facility Note or the $1,000,000 Integral Multiple thereof, the Company shall pay a cash adjustment in respect of such fraction of a share of Common Stock in an amount equal to the remaining amount which is not converted by reason of this Section 3.3.

3.4 ADJUSTMENT OF CONVERSION PRICE.

(a) In case the Company shall pay or make a dividend or other distribution on any class of capital stock of the Company in Common Stock, the Conversion Price in effect at the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be reduced

by multiplying such Conversion Price by a fraction the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination. For the purposes of this Section 3.4(a), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

(b) In case the Company shall issue rights, options or warrants to all holders of its Common Stock (not being available on an equivalent basis to Abbott upon conversion) entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the current market price per share of the Common Stock (determined as provided in Section 3.4(h) hereof) on the date fixed for the determination of stockholders entitled to receive such rights, options or warrants (other than pursuant to a dividend reinvestment plan), the Conversion Price in effect at the opening of business on the day following the date fixed for such determination shall be reduced to a price (calculated to the nearest cent) determined by multiplying such Conversion Price by a fraction the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock which the aggregate consideration received by the Company for the total number of additional shares of Common Stock so offered for subscription or purchase would purchase at such Conversion Price in effect immediately prior to the date fixed for such determination and the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for subscription or purchase, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination. For purposes of calculating the Conversion Price in this Section 3.4(b), the number of shares of Common Stock outstanding immediately prior to the date fixed for such determination of rights, options or warrants shall be calculated as if all shares had been fully converted into shares of Common Stock. Also, for the purposes of this Section 3.4(b), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the

Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not issue any rights, options or warrants in respect of shares of Common Stock held in the treasury of the Company.

(c) In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately reduced, and, conversely, in case outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately increased, such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness or assets (including securities, but excluding any rights, options or warrants referred to in Section 3.4(b) hereof, any dividend or distribution paid exclusively in cash and any dividend or distribution referred to in Section 3.4), the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the close of business on the date fixed for the determination of stockholders entitled to receive such distribution by a fraction the numerator of which shall be the current market price per share (determined as provided in Section 3.4(h)) of the Common Stock on the date fixed for such determination less the then fair market value (as determined by an independent majority of the Board of Directors, whose determination shall be conclusive and described in a board resolution) of the portion of the assets or evidences of indebtedness so distributed applicable to one share of Common Stock and the denominator shall be such current market price per share of the Common Stock, such adjustment to become effective immediately prior to the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such distribution. In any case in which this Section3.4(d) is applicable, Section 3.4(b) hereof shall not be applicable.

(e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock cash (excluding any cash that is distributed upon a merger or consolidation to which Section 3.10 hereof applies or as part of a distribution referred to in paragraph (d) of this Section 3.4) in an aggregate amount that, combined together

with (i) the aggregate amount of any other distributions to all holders of its Common Stock made exclusively in cash within the twelve (12) months preceding the date of payment of such distribution and in respect of which no adjustment pursuant to this paragraph (e) has been made and (ii) the aggregate of any cash plus the fair market value (as determined by an independent majority of the Board of Directors, whose determination shall be conclusive and described in a Board Resolution) of consideration payable in respect of any tender offer by the Company or any of its Subsidiaries for all or any portion of the Common Stock concluded within the twelve (12) months preceding the date of payment of such distribution and in respect of which no adjustment pursuant to paragraph (f) of this Section 3.4 has been made, exceeds ten percent (10%) of the product of the current market price per share of the Common Stock on the date for the determination of holders of shares of Common Stock entitled to receive such distribution multiplied by the number of shares of Common Stock outstanding on such date, then, and in each such case, immediately after the close of business on such date for determination, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the close of business on the date fixed for determination of the stockholders entitled to receive such distribution by a fraction (A) the numerator of which shall be equal to the current market price per share of the Common Stock (determined as provided in paragraph (h) of this Section 3.4) on the date fixed for such determination less an amount eual to the quotient of (x) the excess of such combined amount over such ten percent (10%) and (y) the number of shares of Common Stock outstanding on such date for determination and (B) the denominator of which shall be equal to the current market price per share of the Common Stock (determined as provided in paragraph (h) of this Section 3.4) on such date for determination.

(f) In case a tender offer made by the Company or any Subsidiary for all or any portion of the Common Stock shall expire and such tender offer (as amended upon the expiration thereof) shall require the payment to stockholders (based on the acceptance (up to any maximum specified in the terms of the tender offer) of Purchased Shares (as defined herein)) of an aggregate consideration having a fair market value (as determined by an independent majority of the Board of Directors, whose determination shall be conclusive and described in a board resolution) that combined together with (i) the aggregate of the cash plus the fair market value (as determined by an independent majority of the Board of Directors, whose determination shall be conclusive and described in a board resolution), as of the expiration of such tender offer, of consideration payable in respect of

any other tender offer, by the Company or any Subsidiary for all or any portion of the Common Stock expiring within the twelve (12) months preceding the expiration of such tender offer and in respect of which no adjustment pursuant to this paragraph (f) has been made and (ii) the aggregate amount of any distributions to all holders of the Common Stock made exclusively in cash within twelve (12) months preceding the expiration of such tender offer and in respect of which no adjustment pursuant to paragraph (e) of this Section 3.4 has been made, exceeds ten percent (10%) of the product of the current market price per share of the Common Stock (determined as provided in paragraph (h) of this Section 3.4) as of the last time (the "Expiration Time") tenders could have been made pursuant to such tender offer (as it may be amended) multiplied by the number of shares of Common Stock outstanding (including any tendered shares) on the Expiration Time, then, and in each such case, immediately prior to the opening of business on the day after the date of the Expiration Time, the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplyng the Conversion Price in effect immediately prior to the close of business on the date of the Expiration Time by a fraction (A) the numerator of which shall be equal to (1) the product of (a) the current market price per share of the Common Stock (determined as provided in paragraph (h) of this Section 3.4) on the date of the Expiration Time and (b) the number of shares of Common Stock outstanding (including any tendered shares) on the Expiration Time, less (2) the amount of cash plus the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer) of Purchased Shares, and (B) the denominator of which shall be equal to the product of (1) the current market price per share of the Common Stock (determined as provided in paragraph (h) of this Section 3.4) as of the Expiration Time and (2) the number of shares of Common Stock outstanding (including any tendered shares) as of the Expiration Time less the number of all shares validly tendered and not withdrawn as of the Expiration Time (the shares deemed so accepted up to any such maximum, being referred to as the "Purchased Shares").

(g) The reclassification of Common Stock into securities including securities other than Common Stock (other than any reclassification upon a consolidation or merger to which Section 3.10 hereof applies) shall be deemed to involve (i) a distribution of such securities other than Common Stock to all holders of Common Stock (and the effective date of such reclassification shall be deemed to be "the date fixed for the determination of stockholders entitled to receive such distribution" and the "date fixed for such determination" within the meaning of paragraph (d) of this Section 3.4), and (ii) a subdivision

or combination, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number of shares of Common Stock outstanding immediately thereafter (and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision becomes effective" or "the day upon which such combination becomes effective," as the case may be, and "the day upon which such subdivision or combination becomes effective" within the meaning of paragraph (c) of this Section 3.4).

(h) For the purpose of any computation under paragraphs (d), (e) and (f) of this Section 3.4, the current market price per share of Common Stock on any date shall be deemed to be the average of the daily Closing Prices for the five (5) consecutive trading days selected by the Company commencing not more than twenty (20) trading days before, and ending not later than, the earlier of the day in question and the day before the "ex" date with respect to the issuance or distribution requiring such computation. The "Closing Price" for each trading day shall be the reported last sale price regular way or, in case no such reported sale takes place on such day, the average of the reported closing bid and asked prices regular way, in either case on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the National Association of Securities Dealers Automated Quotations system ("Nasdaq") National Market System ("Nasdaq National Market") or, if not listed or admitted to trading on Nasdaq National Market, on Nasdaq, or, if the Common Stock is not listed or admitted to trading on any national securities exchange or Nasdaq National Market or quoted on Nasdaq, the average of the closing bid and asked prices in the over-the-counter market as furnished by any New York Stock Exchange member firm selected from time to time by the Company for that purpose, or, if the Common Stock does not have any closing bid and asked prices in the over-the-counter market during the relevant period of time, the fair market value per share as determined by an independent majority of the Board of Directors as of the most recent available month-end determined pursuant to GAAP. For purposes of this paragraph, the term "'ex' date," when used with respect to any issuance or distribution, shall mean the first date on which the Common Stock trades regular way on such exchange or in such market without the right to receive such issuance or distribution.

(i) No adjustment in the Conversion Price shall be required unless such adjustment (plus any adjustments not previously made by reason of this paragraph (i)) would require an increase or decrease of at least one percent (1%) in such price; provided, however, that any

adjustments which by reason of this paragraph (i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this paragraph (i) shall be made to the nearest cent.

(j) The Company may make such reductions in the Conversion Price, in addition to those required by paragraphs (a), (b), (c), (d), (e) and (f) of this Section 3.4, as it considers to be advisable in order to avoid or diminish any income tax to any holders of shares of Common Stock resulting from any dividend or distribution of stock or issuance of rights or warrants to purchase or subscribe for stock or from any event treated as such for federal income tax purposes or for any other reasons. An independent majority of the Board of Directors shall have the power to resolve any ambiguity or correct any error in this Section 3.4 and its actions in so doing shall be final and conclusive.

3.5 NOTICE OF ADJUSTMENTS OF CONVERSION PRICE. Whenever the Conversion Price is adjusted as herein provided:

(a) the Company shall compute the adjusted Conversion Price in accordance with Section 3.4 hereof and shall prepare a certificate signed by the Chief Financial Officer of the Company setting forth the adjusted Conversion Price and showing in reasonable detail the facts upon which such adjustment is based, and such certificate shall forthwith be filed at the offices of the Company.

(b) a notice stating that the Conversion Price has been adjusted and setting forth the adjusted Conversion Price shall forthwith be required, and as soon as practicable after it is required, such notice shall be mailed by the Company to the Holder in accordance with the terms of Section 8.1 herein.

3.6 NOTICE OF CERTAIN CORPORATE ACTION. In case:

(a) the Company shall declare a dividend (or any other distribution) on its Common Stock payable otherwise than in cash out of its earned surplus; or

(b) the Company shall authorize the granting to the holders of its Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any other rights; or

(c) of any reclassification of the Common Stock of the Company (other than a subdivision or combination of its outstanding shares of Common Stock), or of any consolidation, merger or share exchange to which the Company is a party and for which approval of any

stockholders of the Company is required, or of the sale or transfer of all or substantially all of the assets of the Company; or

(d) of the voluntary or involuntary dissolution, liquidation or winding up of the Company; then the Company shall cause to be filed at the offices of the Company, and shall cause to be mailed to the Holder at its last addresses as it shall appear in the Note Register, at least twenty (20) days (or ten (10) days in any case specified in clause (a) or (b) of this Section 3.6) prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, rights or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, share exchange, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, share exchange, sale, transfer, dissolution, liquidation or winding up. Neither the failure to give such notice nor any defect therein shall affect the legality or validity of the proceedings described in clauses (a) through (d) of this Section 3.6.

3.7 COMPANY TO RESERVE COMMON STOCK. The Company shall at all times reserve and keep available out of its authorized but unissued Common Stock, for the purpose of effecting the conversion of the Credit Facility Note, the full number of shares of Common Stock issuable upon the conversion of the entire Credit Facility Note.

3.8 TAXES ON CONVERSIONS. The Company will pay any and all taxes that may be payable in respect of the issuance or delivery of shares of Common Stock on conversion of the Credit Facility Note pursuant hereto. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that of Abbott and no such issuance or delivery shall be made unless and until the Person requesting such issuance has paid to the Company the amount of any such tax, or has established to the satisfaction of the Company that such tax has been paid.

3.9 COVENANT AS TO COMMON STOCK. The Company covenants that all shares of Common Stock which may be issued upon conversion of the Credit Facility Note will upon issuance be fully paid and nonassessable and, except as provided in Section 3.8 hereof, the Company will pay all taxes, liens and charges with respect to the issue thereof.

3.10 PROVISIONS IN CASE OF CONSOLIDATION, MERGER OR SALE OF ASSETS. In case of any Change of Control of the Company, the Company will notify Abbott at least thirty (30) days prior to the closing of the transaction that will effect the Change of Control, and the Company shall notify Abbott whether the Company elects to convert the Credit Facility Note in accordance with Section 3 hereof prior to the transaction or pay the Credit Facility Note and terminate this Agreement in accordance with Section 2 hereof.

3.11 TRANSFER AND EXCHANGE OF CREDIT FACILITY NOTE. The Credit Facility Note may be freely transferred or assigned by Abbott without the consent of the Company. Such transfer and assignment shall be made in accordance with applicable federal and state securities laws. At any time and from time to time, upon not less than ten (10) days notice to that effect given by Abbott and, upon surrender of the Credit Facility Note at the Company's office by Abbott, the Company will deliver in exchange therefor, without expense to Abbott, except as set forth below, one Credit Facility Note for the same aggregate principal amount as the then unpaid principal amount of the Credit Facility Note so surrendered, provided such Credit Facility Note shall be in the amount of the full principal amount of the Credit Facility Note and there shall be no right to divide the Credit Facility Note, dated as of the date to which interest has been paid on the Credit Facility Note so surrendered or, if such surrender is prior to the payment of any interest thereon, then dated as of the date of issue, registered in the name of such Person as may be designated by Abbott, and otherwise of the same form and tenor as the Credit Facility Note so surrendered for exchange. The Company may require the payment of a sum sufficient to cover any stamp tax or governmental charge imposed upon such exchange or transfer.

3.12 LOSS, THEFT, MUTILATION OR DESTRUCTION OF CREDIT FACILITY NOTE. Upon receipt of evidence satisfactory to the Company of the loss, theft, mutilation or destruction of the Credit Facility Note, the Company will make and deliver without expense to Abbott thereof, a new Credit Facility Note, of like tenor, in lieu of such lost, stolen, mutilated or destroyed Credit Facility Note.

3.13 EXPENSES, STAMP TAX INDEMNITY. The Company agrees to pay duplicating and printing costs and charges for shipping the Credit Facility Note, adequately insured to Abbott's home office or at such other place as Abbott may designate, and all reasonable expenses of Abbott (including, without limitation, the reasonable fees and expenses of any financial advisor to Abbott) relating to any proposed or actual amendment, waivers or consents pursuant to the provisions hereof, including, without limitation, any proposed or actual amendments, waivers, or consents resulting from any work-out, re-negotiations or restructuring relating to the performance by the Company of its obligations under this Agreement and the Credit Facility Note. The Company also agrees that it will pay and hold Abbott harmless against any

and all liabilities with respect to stamp and other taxes, if any, which may be payable or which may be determined to be payable in connection with the execution and delivery of this Agreement or the Credit Facility Note, whether or not the Credit Facility Note is then outstanding. The Company agrees to protect and indemnify Abbott against any liability for any and all brokerage fees and commissions payable or claimed to be payable to any Person (other than any Person engaged by a Purchaser) in connection with the transactions contemplated by this Agreement.

3.14 CANCELLATION OF CONVERTED CREDIT FACILITY NOTE. The Credit Facility Note or $1,000,000 Integral Multiple portions thereof delivered for conversion shall be canceled by or at the direction of the Company.

4. CONDITIONS PRECEDENT.

4.1 DISBURSEMENTS. The obligation of Abbott to make any disbursement of the Loan shall be subject to the prior or contemporaneous satisfaction of each of the following conditions:

(a) AUTHORIZATIONS. Abbott shall have received such instruments or documents as Abbott may reasonably request relating to the existence and good standing of the Company or the authority for execution, delivery and performance of this Agreement, dated and in full force and effect on the Disbursement Date.

(b) NO EXISTING DEFAULT. No Event of Default (as defined in Section 7.1) or event which, upon the lapse of time or the giving of notice or both, would constitute an Event of Default by the Company (an "Incipient Default") shall exist on the Disbursement Date.

(c) REPRESENTATIONS AND WARRANTIES CORRECT. Each of the representations and warranties made by the Company in the Note Agreement and as incorporated by reference herein shall be true and correct in all material respects on the Disbursement Date with the same effect as though made on and as of such date; and the Company shall have performed and complied with all agreements, covenants and conditions required by this Agreement and the Note Agreement to be performed and complied with by the Company on or prior to the Disbursement Date.

(d) OTHER AGREEMENTS. The Distribution Agreement and the Note Agreement shall be in full force and effect, and the Company shall not be in breach or default of any material covenant, condition or other provision thereof beyond the applicable grace period, if any, specified therein.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company and its subsidiaries represent and warrant to Abbott as of the date hereof that the representations and warranties as made by the Company in Section3 of the Note Agreement are true and correct in all material respects with the same effect as though made on and as of the Disbursement Date, subject to delivery of an updated Disclosure Schedule. The representations and warranties as made by the Company in Section3 of the Note Agreement are incorporated by reference in their entirety herein.

6. COVENANTS AND AGREEMENTS OF THE COMPANY. The Company has performed and complied with all of the covenants and agreements of the Company in Section5 and Section8 of the Note Agreement and further covenants and agrees to perform and comply with such provisions. The covenants and agreements of the Company in Section5 and Section8 of the Note Agreement are incorporated by reference in their entirety herein.

7. EVENTS OF DEFAULT.

7.1 EVENTS OF DEFAULT. The following shall constitute "Events of Default": (a)an Event of Default as defined in Section9 of the Note Agreement (which is hereby incorporated by reference in its entirety herein); (b)an Event of Default as defined under the Security Agreement dated as of August 12, 1998 between Abbott and the Company (which is hereby incorporated by reference in its entirety herein); (c)default by the Company in the payment of any amount under this Agreement or the Note; or (d)any representation or warranties by the Company set forth in this Agreement, the Note Agreement or the Security Agreement shall not be true and correct in all material respects as and when made.

7.2 TERMINATION OF COMMITMENT AND ACCELERATION. If any Event of Default described in Section7.1 hereof shall occur, Abbott shall have no obligation to make disbursements hereunder and may declare all Obligations to be due and payable, whereupon all Obligations shall immediately become due and payable, all as so declared by Abbott and without presentment, demand, protest or other notice of any kind. Any such declaration made pursuant to this Section7.2 may be rescinded by Abbott.

7.3 OTHER REMEDIES. If any Event of Default shall occur and be continuing, Abbott shall have, in addition to the remedies set forth in Section7.2 hereof, all other remedies otherwise available at law.

8. MISCELLANEOUS.

8.1 NOTICES. Except as otherwise expressly provided herein, any notice, consent or document required or permitted hereunder shall be given in writing and it or any certificates or other documents delivered hereunder shall be deemed

effectively given or delivered (as the case may be) upon personal delivery (professional courier permissible) or when mailed by receipted United States certified mail delivery, or five (5) business days after deposit in the United States mail. Such certificates, documents or notice may be personally delivered to an authorized representative of the Company or Abbott (as the case may be) at any address where such authorized representative is present and otherwise shall be sent to the following address:

If to the Company: Micro Therapeutics, Inc.
1062 Calle Negocio #F
San Clemente, CA 92673
Attention: George Wallace
Telecopy No.: (949) 361-0210

With a copy to: Stradling, Yocca, Carlson & Rauth
660 Newport Center Drive, Suite 1600
Attention: Bruce Feuchter
Telecopy No.: (949) 725-4100

If to Abbott: Abbott Laboratories
D-960, AP30
200 Abbott Park Road
Abbott Park, IL 60064-3500
Attention: President, Hospital Products Division
Telecopy No.: (847) 937-0805

With a copy to: Abbott Laboratories
Legal Division
D-322, AP6D
100 Abbott Park Road
Abbott Park, IL 60064-3500
Attn: Divisional Vice President,
Domestic Legal Operations
Telecopy No.: (847) 938-1206

8.2 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns and shall be binding upon and inure to the benefit of Abbott and its successors and assigns; provided, however, that neither the Company nor Abbott shall assign this Agreement or any of its rights, duties or obligations hereunder without the prior written consent of the other party which consent shall not be unreasonably withheld, and provided further, Abbott may assign its rights hereunder after July31, 1999 without the Company's prior written consent.

8.3 SURVIVAL OF COVENANTS AND REPRESENTATIONS. All covenants, representations and warranties made by the Company herein and in any

certificates delivered pursuant hereto, whether or not in connection with the Disbursement Date, shall survive the closing and the delivery of this Agreement and the Credit Facility Note.

8.4 SEVERABILITY. Should any part of this Agreement for any reason be declared invalid or unenforceable, such decision shall not affect the validity or enforceability of any remaining portion, which remaining portion shall remain in force and effect as if this Agreement had been executed with the invalid or unenforceable portion thereof eliminated and it is hereby declared the intention of the parties hereto that they would have executed the remaining portion of this Agreement without including therein any such part, parts or portion which may, for any reason, be hereafter declared invalid or unenforceable.

8.5 WAIVER OF CONDITIONS. If on any Disbursement Date, either party hereto fails to fulfill each of the conditions specified in Section4 hereof, the other party may thereupon elect to be relieved of all further obligations under this Agreement. Without limiting the foregoing, if the conditions specified in Section4 hereof have not been fulfilled, the other party may waive compliance by such party with any such condition to such extent as such party may in its sole discretion determine. Nothing in this Section8.5 shall operate to relieve either party of any obligations hereunder or to waive any of the other party's rights against such party.

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

8.7 GOVERNING LAW. This Agreement and the Credit Facility Note issued and sold hereunder shall be governed by and construed in accordance with Delaware law, without regard to the conflict of laws provisions thereof.

8.8 CAPTIONS. The descriptive headings of the various sections or parts of this Agreement are for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

8.9 DISPUTE RESOLUTION. Disputes shall be resolved as provided in Annex 2 attached hereto.

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

ABBOTT LABORATORIES

By:

Its:

MICRO THERAPEUTICS, INC.

By:

Its:

ANNEX 1

FORM OF CREDIT FACILITY NOTE
MICRO THERAPEUTICS, INC.
5% Convertible Credit Facility Note, due on August 19, 2003.

San Clemente, California
[Up to $5,000,000] [Date]

Micro Therapeutics, Inc., a corporation duly organized and existing under the laws of the State of Delaware (the "Company"), for value received, hereby promises to pay to Abbott Laboratories, an Illinois corporation ("Abbott"), or its registered assigns (the "Holder"), the principal sum of [Up to Five Million Dollars ($5,000,000)] on August 19, 2003 (the "Maturity"), and to pay interest (i) on the unpaid principal balance thereof from the date of this Credit Facility Note at the rate of five percent (5%) per annum, payable quarterly in arrears on January 31, April 30, July 31 and October 31 of each year (each, an "Interest Payment Date") (commencing on the first Interest Payment Date following the date hereof) until such unpaid balance shall become due and payable (whether at Maturity, or by declaration, acceleration or otherwise) and (ii) on each overdue payment of principal or any overdue payment of interest, at a rate per annum equal to ten percent (10%).

The interest and principal payments payable with respect to this Credit Facility Note, on any Interest Payment Date, at Maturity or by declaration, acceleration or otherwise, pursuant to the Credit Agreement (as defined herein), shall be paid to Abbott in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Such interest and principal payments shall be made to Abbott in accordance with the provisions of the Credit Agreement.

This Credit Facility Note is the sole issue of a 5% Convertible Credit Facility Note, due on the fifth anniversary of the date hereof, the Company issued in an aggregate principal amount of [Up to Five Million Dollars ($5,000,000)] pursuant to the Credit Agreement, dated August 12, 1998 by and between the Company and Abbott (the "Credit Agreement"). The Holder of this Credit Facility Note is entitled to the benefits of the Credit Agreement,

and may enforce the Credit Agreement and exercise the remedies provided for thereby or otherwise available in respect thereof.

This Credit Facility Note may be transferred or assigned as provided in the Credit Agreement, upon surrender of this Credit Facility Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed by Abbott or Abbott's attorney duly authorized in writing, a new Credit Facility Note for a like aggregate principal amount and otherwise of similar tenor, will be issued to, and registered in the name of, the transferee or transferees. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Credit Facility Note is registered as the Holder and owner hereof for the purpose of receiving payments and for all other purposes, and the Company shall not be affected by any notice to the contrary.

In the case of an Event of Default (as defined in the Credit Agreement), the principal of this Credit Facility Note in certain circumstances shall become due and payable and in other circumstances may be declared and become due and payable in the manner and with the effect provided in the Credit Agreement.

This Credit Facility Note is subject to conversion into Common Stock pursuant to the terms and conditions of the Credit Agreement and conversion shall be evidenced by a Notice of Conversion as attached hereto.

The indebtedness evidenced by this Credit Facility Note is, to the extent provided in the Credit Agreement, subordinate and subject in right of payment to the prior payment in full of all Senior Indebtedness (as defined in the Credit Agreement), and this Credit Facility Note is issued subject to the provisions of the Credit Agreement with respect thereto. Each Holder of this Credit Facility Note, by accepting the same, agrees to and shall be bound by such provisions.

No reference herein to the Note Agreement or Credit Agreement and no provision of this Credit Facility Note, the Note Agreement or the Credit Agreement shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Credit Facility Note at the times, place and rate, and in the coin or currency, herein prescribed or to convert this Credit Facility Note as provided in the Credit Agreement.

All terms used in this Credit Facility Note which are defined in the Credit Agreement shall have the meanings assigned to them in the Credit Agreement.

This Credit Facility Note, the Note Agreement and the Credit Agreement are governed by and construed in accordance with the law of the State of Delaware.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: _____

MICRO THERAPEUTICS, INC.

By:
Its:

ATTEST:
By:

Its:

NOTICE OF CONVERSION

Micro Therapeutics, Inc. hereby irrevocably exercises the option to convert this Credit Facility Note, or portion hereof below designated (which is One Million Dollars ($1,000,000) or an integral multiple thereof), into shares of Common Stock in accordance with the terms of the Credit Agreement, and represents that the shares issuable and deliverable upon such conversion, together with any check in payment for fractional shares and any Credit Facility Note representing any unconverted principal amount hereof, will be issued and delivered to the current Holder of the Credit Facility Note.

Principal amount to be converted (if less than all): $_____

MICRO THERAPEUTICS, INC.

By:
Its:

ANNEX 2

DISPUTE RESOLUTION

The parties recognize that a bona fide dispute as to certain matters may arise from time to time during the term of this Agreement which relates to either party's rights and/or obligations. To have such a dispute resolved by this Alternative Dispute Resolution ("ADR") provision, a party first must send written notice of the dispute to the other party for attempted resolution by good faith negotiations between their respective presidents (or their equivalents) of the affected subsidiaries, divisions, or business units within twenty-eight (28) days after such notice is received (all references to "days" in this ADR provision are to calendar days).

If the matter has not been resolved within twenty-eight (28) days of the notice of dispute, or if the parties fail to meet within such twenty-eight (28) days, either party may initiate an ADR proceeding as provided herein. The parties shall have the right to be represented by counsel in such a proceeding.

1. To begin an ADR proceeding, a party shall provide written notice to the other party of the issues to be resolved by ADR. Within fourteen (14) days after its receipt of such notice, the other party may, by written notice to the party initiating the ADR, add additional issues to be resolved within the same ADR.

2. Within twenty-one (21) days following receipt of the original ADR notice, the parties shall select a mutually acceptable neutral to preside in the resolution of any disputes in this ADR proceeding. If the parties are unable to agree on a mutually acceptable neutral within such period, either party may request the President of the CPR Institute for Dispute Resolution ("CPR"), 366 Madison Avenue, 14th Floor, New York, New York 10017, to select a neutral pursuant to the following procedures:

(a) The CPR shall submit to the parties a list of not less than five (5) candidates within fourteen (14) days after receipt of the request, along with a CURRICULUM VITAE for each candidate. No candidate shall be an employee, director, or shareholder of either party or any of their subsidiaries or affiliates.

(b) Such list shall include a statement of disclosure by each candidate of any circumstances likely to affect his or her impartiality.

(c) Each party shall number the candidates in order of preference (with the number one (1) signifying the greatest preference) and shall deliver the list to the CPR within seven (7) days following receipt of the list of candidates. If a party believes a conflict of interest exists regarding any of the candidates, that party shall provide a written explanation of the conflict to the CPR along with its list showing its order of preference for the candidates. Any party failing to return a list of preferences on time shall be deemed to have no order of preference.

(d) If the parties collectively have identified fewer than three (3) candidates deemed to have conflicts, the CPR immediately shall designate as the neutral the candidate for whom the parties collectively have indicated the greatest preference. If a tie should result between two candidates, the CPR may designate either candidate. If the parties collectively have identified three (3) or more candidates deemed to have conflicts, the CPR shall review the explanations regarding conflicts and, in its sole discretion, may either (i) immediately designate as the neutral the candidate for whom the parties collectively have indicated the greatest preference, or (ii) issue a new list of not less than five (5) candidates, in which case the procedures set forth in subparagraphs 2(a) - 2(d) shall be repeated.

3. No earlier than twenty-eight (28) days or later than fifty-six (56) days after selection, the neutral shall hold a hearing to resolve each of the issues identified by the parties. The ADR proceeding shall take place at a location in the State of California agreed upon by the parties. If the parties cannot agree, the neutral shall designate a location in the State of California other than the principal place of business of either party or any of their subsidiaries or affiliates.

4. At least seven (7) days prior to the hearing, each party shall submit the following to the other party and the neutral:

(a) a copy of all exhibits on which such party intends to rely in any oral or written presentation to the neutral;

(b) a list of any witnesses such party intends to call at the hearing, and a short summary of the anticipated testimony of each witness;

(c) a proposed ruling on each issue to be resolved, together with a request for a specific damage award or other remedy for each issue. The proposed rulings and remedies shall not contain any recitation of the facts or any legal arguments and shall not exceed one (1) page per issue.

(d) a brief in support of such party's proposed rulings and remedies, provided that the brief shall not exceed twenty (20) pages. This page limitation shall apply regardless of the number of issues raised in the ADR proceeding.

Except as expressly set forth in subparagraphs 4(a) - 4(d), no discovery shall be required or permitted by any means, including depositions, interrogatories, requests for admissions, or production of documents.

5. The hearing shall be conducted on two (2) consecutive days and shall be governed by the following rules:

(a) Each party shall be entitled to five (5) hours of hearing time to present its case. The neutral shall determine whether each party has had the five (5) hours to which it is entitled.

(b) Each party shall be entitled, but not required, to make an opening statement, to present regular and rebuttal testimony, documents or other evidence, to cross-examine witnesses, and to make a closing argument. Cross-examination of witnesses shall occur immediately after their direct testimony, and cross-examination time shall be charged against the party conducting the cross-examination.

(c) The party initiating the ADR shall begin the hearing and, if it chooses to make an opening statement, shall address not only issues it raised but also any issues raised by the responding party. The responding party, if it chooses to make an opening statement, also shall address all issues raised in the ADR. Thereafter, the presentation of regular and rebuttal testimony and documents, other evidence, and closing arguments shall proceed in the same sequence.

(d) Except when testifying, witnesses shall be excluded from the hearing until closing arguments.

(e) Settlement negotiations, including any statements made therein, shall not be admissible under any circumstances. Affidavits prepared for purposes of the ADR hearing also shall not be admissible. As to all other matters, the neutral shall have sole discretion regarding the admissibility of any evidence.

6. Within seven (7) days following completion of the hearing, each party may submit to the other party and the neutral a post-hearing brief in support of its proposed rulings and remedies, provided that such brief shall not contain or discuss any new evidence and shall not exceed ten (10) pages. This page limitation shall apply regardless of the number of issues raised in the ADR proceeding.

7. The neutral shall rule on each disputed issue within fourteen (14) days following completion of the hearing. Such ruling shall adopt in its entirety the proposed ruling and remedy of one of the parties on each disputed issue but may adopt one party's proposed rulings and remedies on some issues and the other party's proposed rulings and remedies on other issues.

The neutral shall not issue any written opinion or otherwise explain the basis of the ruling.

8. The neutral shall be paid a reasonable fee plus expenses. These fees and expenses, along with the reasonable legal fees and expenses of the prevailing party (including all expert witness fees and expenses), the fees and expenses of a court reporter, and any expenses for a hearing room, shall be paid as follows:

(a) If the neutral rules in favor of one party on all disputed issues in the ADR, the losing party shall pay 100% of such fees and expenses.

(b) If the neutral rules in favor of one party on some issues and the other party on other issues, the neutral shall issue with the rulings a written determination as to how such fees and expenses shall be allocated between the parties. The neutral shall allocate fees and expenses in a way that bears a reasonable relationship to the outcome of the ADR, with the party prevailing on more issues, or on issues of greater value or gravity, recovering a relatively larger share of its legal fees and expenses.

9. The rulings of the neutral and the allocation of fees and expenses shall be binding, non-reviewable, and non-appealable, and may be entered as a final judgment in any court having jurisdiction.

10. Except as provided in paragraph 9 or as required by law, the existence of the dispute, any settlement negotiations, the ADR hearing, any submissions (including exhibits, testimony, proposed rulings, and briefs), and the rulings shall be deemed Confidential Information. The neutral shall have the authority to impose sanctions for unauthorized disclosure of Confidential Information.

EXHIBIT 5

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement") dated as of August 12, 1998, is made and entered into by and between Micro Therapeutics Inc. , a corporation organized and existing under the laws of the State of Delaware, having its principal place of business at 1062-F Calle Negocio, San Clemente, California 92673, (the "Debtor"), and Abbott Laboratories, an Illinois corporation, having its principal place of business at 100 Abbott Park Road, Abbott Park, Illinois 60064-3500 (the "Secured Party"), with reference to the following:

RECITALS

A. Debtor is executing and delivering to Secured Party a promissory note of even date herewith in the principal amount of Five Million U.S. Dollars ($5,000,000) payable to the order of Secured Party (the "Note") in connection with that certain Convertible Subordinated Note Agreement by and between Debtor and Secured Party, dated as of August12, 1998 (the "Note Agreement").

B. Debtor is executing with the Secured Party a Credit Agreement on the date hereof (the "Credit Agreement") providing Debtor with the right to borrow from Secured Party up to Five Million U.S. Dollars ($5,000,000) on or before July 31, 1999 by delivery of a promissory note thereunder (the "Credit Facility Note").

C. In order to secure the payment and performance of the obligations of Debtor to the Secured Party under the Note and the Credit Facility Note, Secured Party requires that Debtor grant to Secured Party a security interest in the Collateral as provided for herein.

NOW, THEREFORE, in consideration of the foregoing recitals, the following mutual agreements and promises, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

AGREEMENT

1. SECURITY INTEREST.

(a) Creation of Security Interest. Debtor hereby grants to Secured Party a security interest in all of Debtor's right, title and interest in and to the Collateral, as defined in Subsection1(b) below, in order to secure the payment and performance of the obligations of Debtor to Secured Party described in Subsection1(d) below.

(b) COLLATERAL. As used herein, the term "Collateral" shall mean:

(i) all Debtor's right, title and interest in and to the current and future

trademarks owned by Debtor in connection with Debtor's peripheral blood clot infusion products in the Territory (as defined in the Distribution Agreement) (the "Trademarks"), which are set forth on Exhibit A hereto; and

(ii) all Debtor's right, title and interest in and to the current and future patents owned by Debtor in connection with Debtor's peripheral blood clot infusion products in the Territory (the "Patents"), which are set forth on Exhibit B hereto; and

(iii) all Debtor's right, title and interest in and to the other current and future intellectual property rights owned by Debtor in connection with Debtor's peripheral blood clot infusion products in the Territory (the "Other Assets"), which are set forth on Exhibit C hereto.

(c) ASSIGNMENT. Debtor shall execute a Notice of Recordation of Assignment Document with the United States Patent and Trademark Office for each Trademark and Patent registered with the United States Patent and Trademark Office, thereby assigning all right, title and interest in such Patents and Trademarks to the Secured Party for the purpose of obtaining for the Secured Party the complete and timely satisfaction of a security interest in the Patents and the Trademarks. Debtor shall perfect the filing of a UCC-1 document for each of the Collateral for the purpose of obtaining for the Secured Party the complete and timely satisfaction of a security interest in the Collateral.

(d) OBLIGATIONS SECURED. The security interest granted to Secured Party by Debtor pursuant to this Section1 shall secure payment and performance of Debtor's obligations under (i)the Note, (ii)the Note Agreement, (iii) the Credit Facility Note, (iv) the Credit Agreement and (iv)any amendment, modification, renewal or extension of the Note or the Note Agreement (the "Secured Obligations").

2. REPRESENTATIONS AND WARRANTIES OF DEBTOR. Debtor hereby represents and warrants to Secured Party that:

(a) Debtor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on its business as now conducted. Debtor is duly qualified to transact business and is in good standing in each jurisdiction in which the failure so to qualify would have a material adverse effect on its business, financial condition or properties.

(b) All corporate action on the part of Debtor necessary for the execution and delivery of this Agreement has been duly authorized by Debtor's Board of Directors. This Agreement constitutes valid and legally binding obligations

of Debtor, enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy laws, laws affecting creditors' rights and court decisions limiting the availability of specific performance and other equitable remedies. Debtor has full corporate power and corporate authority to execute and deliver this Agreement and to carry out the transactions contemplated hereby.

(c) Debtor has not changed its name, address or organization within the last four (4) months.

(d) The Collateral is subject to no other lien or security interest.

3. COVENANTS.

(a) Until payment of all obligations due under the Note, Debtor agrees that, unless the Secured Party shall have otherwise consented in writing:

(i) Debtor shall execute and take such action as may reasonably be requested from time to time by Secured Party, including the execution and delivery of financing statements and certificates of title, and the filing of financing statements, as may be necessary to perfect and maintain the first priority security interest granted to Secured Party hereby.

(ii) Debtor shall keep appropriate records and, upon written request of the Secured Party, will give Secured Party any information it may reasonably require with respect to the condition and status of the Collateral.

(iii) Debtor shall update Exhibits (A) (B) and (C) on a quarterly basis and shall notify Secured Party in writing of additions to the Collateral during the period as there remains outstanding principal or interest on the Note or the Credit Facility Note.

(iv) Debtor shall notify Secured Party within ten (10) days of any change in (A)Debtor's corporate name, (B)Debtor's business or legal structure, or (C)Debtor's place of business or chief executive office if the Debtor has more than one place of business, or (D)location of Collateral.

(b) Until payment of all obligations due under the Note or conversion of the Note, the Secured Party covenants to subordinate this Security Agreement to Senior Indebtedness (so long as the Senior Indebtedness is secured by a perfected security interest in the Collateral) as defined in the Note Agreement at the request of the Company.

4. EVENTS OF DEFAULT. The occurrence of the following shall constitute an "Event of Default":

(a) PAYMENTS. Default in the payment of the principal and unpaid accrued interest of the Note when due and payable if such default is not cured by the Company within ten (10) days after the Holder has given the Company written notice of such default.

(b) BANKRUPTCY. The institution by the Company of proceedings to be adjudicated as bankrupt or insolvent, or the consent by it to institution of bankruptcy or insolvency proceedings against it or the filing by it of a petition or answer or consent seeking reorganization or release under the federal Bankruptcy Code, or any other applicable federal or state law, or the consent by it to the filing of any such petition or the appointment of a receiver, liquidator, assignee, trustee or other similar official of the Company, or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the taking of corporate action by the Company in furtherance of any such action.

(c) COMMENCEMENT OF AN ACTION. If, within sixty (60) days after the commencement of an action against the Company (and service of process in connection therewith on the Company) seeking any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such action shall not have been resolved in favor of the Company or all orders or proceedings thereunder affecting the operations or the business of the Company stayed, or if the stay of any such order or proceeding shall thereafter be set aside, or if, within sixty (60) days after the appointment without the consent or acquiescence of the Company of any trustee, receiver or liquidator of the Company or of all or any substantial part of the properties of the Company, such appointment shall not have been vacated.

(d) DEFAULT OF SENIOR INDEBTEDNESS. Any declared default of the Company under any Senior Indebtedness (as defined in the Note Agreement) that gives the holder thereof the right to accelerate such Senior Indebtedness, and such Senior Indebtedness is in fact accelerated by the holder.

(e) COVENANTS AND AGREEMENTS. The Company shall default in the performance of any of its material covenants and agreements set forth in any provision of the Note Agreement and the continuance of such default for thirty (30) days after the Holder (as defined in the Note Agreement) has given the Company written notice of such default.

(f) DEFAULT UNDER OTHER AGREEMENTS. The Company breaches or defaults on any material covenant, condition or other provision of the Distribution Agreements and such breach or default continues after the applicable grace

period, if any, specified therein but in no event more than thirty (30) days after the Holder has given the Company written notice of such breach or default.

(g) CHANGE OF CONTROL OF THE COMPANY. Any change in control of the Company which includes any consolidation of the Company with, or merger of the Company into, any other Person, any merger of another Person into the Company (other than a merger which does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock), any acquisition of at least a majority of the Voting Stock (as defined in the Note Agreement) of the Company or any sale or transfer of all or substantially all of the business or assets of the Company (a "Change of Control"), or Abbott's receipt of written notice from the Company that a Change of Control will occur.

5. SECURED PARTY'S RIGHTS AND REMEDIES.

(a) Upon the occurrence of an Event of Default as hereinabove set forth, the Secured Party may exercise all rights or remedies that the Secured Party may have as a secured party under the Uniform Commercial Code as adopted in the State of California.

(b) Upon the occurrence of an Event of Default as hereinabove set forth, the Secured Party may, at its option, (i) retain for its own commercial use all or any portion of the Collateral upon terms that are commercially reasonable; provided that upon such retention the Note and the Credit Facility Note shall be credited as fully paid, and/or (ii) sell, lease or otherwise dispose of all or any part of the Collateral upon any terms which are commercially reasonable. Secured Party shall give fifteen (15) days prior written notice to Debtor of the time and place of any public sale of the Collateral, or of the time after which a private sale or other disposition of the Collateral is to be made.

(c) All proceeds from the sale or other disposition of the Collateral, and all other amounts received by Secured Party pursuant to the terms of this Agreement, unless otherwise expressly required by law or regulation, shall be applied as follows:

(1) FIRST, to the payment of all expenses reasonably incurred by Secured Party in connection with any sale or disposition of the Collateral, including, but not limited to, the expenses of taking, advertising, processing, preparing and storing the Collateral to be sold, and all court costs and all reasonable legal fees of Secured Party in connection therewith;

(2) SECOND, to the payment of all obligations of Debtor to Secured Party arising under the Note which have come due and are unpaid; and

(3) THIRD, the balance, if any, to Debtor.

(d) No delay or omission by Secured Party in exercising any right or remedy hereunder or with respect to any obligation of Debtor to Secured Party secured hereunder shall operate as a waiver thereof or of any other right or remedy available to Secured Party, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. Secured Party, in its sole discretion, on at least three (3) days prior written notice to Debtor, may (but shall have no obligation to) remedy any Event of Default by Debtor hereunder or with respect to any obligation of Debtor to the Secured Party or any other person, firm, corporation or other entity in any reasonable manner without waiving the Event of Default remedied and without waiving any other prior or subsequent Event of Default by Debtor, and shall be reimbursed for its necessary and reasonable out-of-pocket expenses in so remedying any of such Event of Default. All rights and remedies of Secured Party hereunder are cumulative.

6. MISCELLANEOUS.

(a) SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns and shall be binding upon and inure to the benefit of Abbott and its successors and assigns; provided, however, that neither the Company nor Abbott shall assign this Agreement or any of its rights, duties or obligations hereunder without the prior written consent of the other party which consent shall not be unreasonably withheld, and provided further, Abbott may assign its rights hereunder after July31, 1999 without the Company's prior written consent.

(b) GOVERNING LAW. This Agreement shall be governed by and construed under the laws of the State of California.

(c) TITLES AND SUBTITLES. The titles and subtitles used in this Agreement are for convenience of reference only and are not to be considered in construing or interpreting this Agreement.

(d) NOTICE. Except as otherwise expressly provided herein, any notice, consent or document required or permitted hereunder shall be given in writing and it or any certificates or other documents delivered hereunder shall be deemed effectively given or delivered (as the case may be) upon personal delivery (professional courier permissible) or when mailed by receipted United States certified mail delivery, or five (5) business days after deposit in the United States mail. Such certificates, documents or notice may be personally delivered to an authorized representative of the Company or Abbott (as the case may be) at any address where such authorized representative is present and otherwise shall be sent to the following address:

If to the Company: Micro Therapeutics, Inc.
1062 Calle Negocio #F
San Clemente, CA 92673
Attention: George Wallace
Telecopy No.: (949) 361-0210

With a copy to: Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, CA 92660
Attention: Bruce Feuchter
Telecopy No.: (949) 725-4100

If to Abbott: Abbott Laboratories
D-960, AP30
200 Abbott Park Road
Abbott Park, IL 60064-3500
Attention: President, Hospital Products Division
Telecopy No.: (847) (937-0805

With a copy to: Abbott Laboratories
Legal Division
D-322, AP6D
100 Abbott Park Road
Abbott Park, IL 60064-3500
Attn: Divisional Vice President,
Domestic Legal Operations
Telecopy No.: (847) 938-1206

Any party hereto may from time to time, by ten (10) days' advance written notice to the other parties, designate a different address, which shall be substituted for the one specified above for such party. If any notice or other document is sent by certified or registered mail, return receipt requested, postage prepaid, properly addressed as aforementioned, the same shall be deemed served or delivered seventy-two (72) hours after mailing thereof. If any notice is sent by facsimile machine ("fax") to a party, he will be deemed to have been delivered on the date the fax thereof is actually received, provided the original thereof is sent by mail in the manner set forth above, within twenty-four (24) hours after the fax is sent.

(e) AMENDMENTS, WAIVERS AND CONSENTS. Any term of this Agreement to the contrary notwithstanding, changes in or additions to this Agreement may be made, and compliance with any covenant or provision or breach of any representation or warranty herein or therein set forth may be omitted or waived, if the Debtor shall obtain consent thereto in writing from the Secured Party. Any waiver or consent may be given subject to satisfaction of conditions stated therein and any waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(f) COUNTERPARTS. This Agreement may be executed in one or more counterparts, and any number of counterparts signed in the aggregate by Debtor and the Secured Party shall constitute a single original instrument.

(g) ENTIRE AGREEMENT. This Agreement, the Note, the Note Agreement, the Credit Agreement, the Credit Facility Note and the Distribution Agreement constitute the entire understanding between the parties with respect to the subject matter hereof, superseding all negotiations, prior discussions and preliminary agreements with respect thereto.

(h) WAIVER. No waiver of any term, provision or condition of this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or be construed as a further or continuing waiver of any such term, provision or condition or as a waiver of any other term, provision or condition of this Agreement.

(i) FURTHER ASSURANCES. Each party hereto agrees to execute and deliver such other documents and instruments as the other party may reasonably request to better evidence or effectuate the rights and obligations of the parties hereto and the transactions contemplated hereunder, provided that no party shall, as a result thereof, be required to assume any further obligation or relinquish any of its rights hereunder.

(j) SEVERABILITY. The invalidity or unenforceability of any provision hereto shall in no way affect the validity or enforceability of any other provision.

(k) NUMBER AND GENDER. Whenever the singular or plural number is used herein, and when the context so requires, the same shall include the plural or singular, as the case may be; and, the masculine, feminine and neuter gender shall each include the other.

(l) DISPUTES RESOLUTION. Disputes shall be resolved as provided in Exhibit D attached hereto.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.
"Debtor"

MICRO THERAPEUTICS, INC.,
a Delaware corporation

By:
Its:

"Secured Party"

ABBOTT LABORATORIES,
an Illinois corporation

By:
Its:

EXHIBIT A
INTELLECTUAL PROPERTY
TRADEMARKS

REGISTERED TRADEMARKS

	NAME	TRADEMARK-TM-	REGISTERED-Registered Trademark-
1.	ProStream		TM Reg. No. 2,035,778
2.	MicroMewi		TM Reg. No. 2,137,320

TRADEMARKS - NOT YET REGISTERED

	NAME	TRADEMARKTM	REGISTERED-Registered Trademark-
1.	Cragg Thrombolytic Brush		
2.	Mewi-5	Appl. No. 75/431312	
3.	Castaneda Over-The-Wire Brush		
4.	Focused Infusion Catheters		

EXHIBIT B
INTELLECTUAL PROPERTY

PATENTS

1. Valved-Tip Angiographic Catheter 5,085,535

2. Infusion Device with Preformed Shape (Coiled Wire) 5,554,114

3. Longitudinally Extendable Infusion Device 5,624,396

4. U.S. patent application number 08/541,147, filed 10/11/95, response to 1st Office Action filed 7/10/97 Infusion Guidewire Having Fixed Cord and Flexible Radiopague Marker (Straight Wire)

5. U.S. patent application number 08/900,024, filed 7/24/97, awaiting office action; PCT filed CIP to Infusion Guidewire Having Fixed Core and Flexible Radiopague Marker

6. U.S. patent application number 08/746,302, filed 11/8/96, issue fee paid 4/15/98 Infusion Device for Distributing Infusate Along an Elongated Infusion Segment

7. U.S. patent application number 09/079,487, filed 5/15/97, awaiting 1st office action; Canada and EPO filed and in process Power Lysis of Thrombus in Blood Vessels

8. Thrombectomy Method and Apparatus 5,370,653

9. Miniaturized Brush with Hollow Lumen Brush Body 5,681,335

EXHIBIT C
OTHER ASSETS
NO OTHER CURRENT ASSETS

EXHIBIT D
DISPUTE RESOLUTION
The parties recognize that a bona fide dispute as to certain matters may arise from time to time during the term of this Agreement which relates to either party's rights and/or obligations. To have such a dispute resolved by this Alternative Dispute Resolution ("ADR") provision, a party first must send written notice of the dispute to the other party for attempted resolution by good faith negotiations between their respective presidents (or their equivalents) of the affected subsidiaries, divisions, or business units within twenty-eight (28) days after such notice is received (all references to "days" in this ADR provision are to calendar days).

If the matter has not been resolved within twenty-eight (28) days of the notice of dispute, or if the parties fail to meet within such twenty-eight (28) days, either party may initiate an ADR proceeding as provided herein. The parties shall have the right to be represented by counsel in such a proceeding.

1. To begin an ADR proceeding, a party shall provide written notice to the other party of the issues to be resolved by ADR. Within fourteen (14) days after its receipt of such notice, the other party may, by written notice to the party initiating the ADR, add additional issues to be resolved within the same ADR.

2. Within twenty-one (21) days following receipt of the original ADR notice, the parties shall select a mutually acceptable neutral to preside in the resolution of any disputes in this ADR proceeding. If the parties are unable to agree on a mutually acceptable neutral within such period, either party may request the President of the CPR Institute for Dispute Resolution ("CPR"), 366 Madison Avenue, 14th Floor, New York, New York 10017, to select a neutral pursuant to the following procedures:

(a) The CPR shall submit to the parties a list of not less than five (5) candidates within fourteen (14) days after receipt of the request, along with a CURRICULUM VITAE for each candidate. No candidate shall be an employee, director, or shareholder of either party or any of their subsidiaries or affiliates.

(b) Such list shall include a statement of disclosure by each candidate of any circumstances likely to affect his or her impartiality.

(c) Each party shall number the candidates in order of preference (with the number one (1) signifying the greatest preference) and shall deliver the list to the CPR within seven (7) days following receipt of the list of candidates. If a party believes a conflict of interest exists regarding any of the candidates, that party shall provide a written explanation of the conflict to the CPR along with its list showing its order of preference for the candidates. Any party failing to return a list of preferences on time shall be deemed to have no order of preference.

(d) If the parties collectively have identified fewer than three (3) candidates deemed to have conflicts, the CPR immediately shall designate as the neutral the candidate for whom the parties collectively have indicated the greatest preference. If a tie should result between two candidates, the CPR may designate either candidate. If the parties collectively have identified three (3) or more candidates deemed to have conflicts, the CPR shall review the explanations regarding conflicts and, in its sole

discretion, may either (i) immediately designate as the neutral the candidate for whom the parties collectively have indicated the greatest preference, or (ii) issue a new list of not less than five (5) candidates, in which case the procedures set forth in subparagraphs 2(a) - 2(d) shall be repeated.

3. No earlier than twenty-eight (28) days or later than fifty-six (56) days after selection, the neutral shall hold a hearing to resolve each of the issues identified by the parties. The ADR proceeding shall take place at a location in the State of California agreed upon by the parties. If the parties cannot agree, the neutral shall designate a location in the State of California other than the principal place of business of either party or any of their subsidiaries or affiliates.

4. At least seven (7) days prior to the hearing, each party shall submit the following to the other party and the neutral:

(a) a copy of all exhibits on which such party intends to rely in any oral or written presentation to the neutral;

(b) a list of any witnesses such party intends to call at the hearing, and a short summary of the anticipated testimony of each witness;

(c) a proposed ruling on each issue to be resolved, together with a request for a specific damage award or other remedy for each issue. The proposed rulings and remedies shall not contain any recitation of the facts or any legal arguments and shall not exceed one (1) page per issue.

(d) a brief in support of such party's proposed rulings and remedies, provided that the brief shall not exceed twenty (20) pages. This page limitation shall apply regardless of the number of issues raised in the ADR proceeding.

Except as expressly set forth in subparagraphs 4(a) - 4(d), no discovery shall be required or permitted by any means, including depositions, interrogatories, requests for admissions, or production of documents.

5. The hearing shall be conducted on two (2) consecutive days and shall be governed by the following rules:

(a) Each party shall be entitled to five (5) hours of hearing time to present its case. The neutral shall determine whether each party has had the five (5) hours to which it is entitled.

(b) Each party shall be entitled, but not required, to make an opening statement, to present regular and rebuttal testimony, documents or other evidence, to cross-examine

witnesses, and to make a closing argument. Cross-examination of witnesses shall occur immediately after their direct testimony, and cross-examination time shall be charged against the party conducting the cross-examination.

(c) The party initiating the ADR shall begin the hearing and, if it chooses to make an opening statement, shall address not only issues it raised but also any issues raised by the responding party. The responding party, if it chooses to make an opening statement, also shall address all issues raised in the ADR. Thereafter, the presentation of regular and rebuttal testimony and documents, other evidence, and closing arguments shall proceed in the same sequence.

(d) Except when testifying, witnesses shall be excluded from the hearing until closing arguments.

(e) Settlement negotiations, including any statements made therein, shall not be admissible under any circumstances. Affidavits prepared for purposes of the ADR hearing also shall not be admissible. As to all other matters, the neutral shall have sole discretion regarding the admissibility of any evidence.

6. Within seven (7) days following completion of the hearing, each party may submit to the other party and the neutral a post-hearing brief in support of its proposed rulings and remedies, provided that such brief shall not contain or discuss any new evidence and shall not exceed ten (10) pages. This page limitation shall apply regardless of the number of issues raised in the ADR proceeding.

7. The neutral shall rule on each disputed issue within fourteen (14) days following completion of the hearing. Such ruling shall adopt in its entirety the proposed ruling and remedy of one of the parties on each disputed issue but may adopt one party's proposed rulings and remedies on some issues and the other party's proposed rulings and remedies on other issues. The neutral shall not issue any written opinion or otherwise explain the basis of the ruling.

8. The neutral shall be paid a reasonable fee plus expenses. These fees and expenses, along with the reasonable legal fees and expenses of the prevailing party (including all expert witness fees and expenses), the fees and expenses of a court reporter, and any expenses for a hearing room, shall be paid as follows:

(a) If the neutral rules in favor of one party on all disputed issues in the ADR, the losing party shall pay 100% of such fees and expenses.

(b) If the neutral rules in favor of one party on some issues and the other party on other issues, the neutral shall issue with the rulings a written determination as to how such fees and expenses shall be allocated between the parties. The neutral shall

allocate fees and expenses in a way that bears a reasonable relationship to the outcome of the ADR, with the party prevailing on more issues, or on issues of greater value or gravity, recovering a relatively larger share of its legal fees and expenses.

9. The rulings of the neutral and the allocation of fees and expenses shall be binding, non-reviewable, and non-appealable, and may be entered as a final judgment in any court having jurisdiction.

10. Except as provided in paragraph 9 or as required by law, the existence of the dispute, any settlement negotiations, the ADR hearing, any submissions (including exhibits, testimony, proposed rulings, and briefs), and the rulings shall be deemed Confidential Information. The neutral shall have the authority to impose sanctions for unauthorized disclosure of Confidential Information.