FORM 8-K

Current report filing

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

Current Report Pursuant
to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported) September 28, 2007

Diomed Holdings, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	000-32045	84-1480636
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1 Dundee Park, Andover, Massachusetts	01810
(Address of Principal Executive Offices)	(Zip Code)

(978) 475-7771

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 1.01. ENTRY INTO MATEIAL DEFINITIVE AGREEMENTS.

$10,000,000 Term Loan from Hercules Technology Capital Growth Capital, Inc.

On September 28, 2007, Diomed Holdings, Inc. (the "Registrant") and its wholly-owned subsidiary, Diomed, Inc. (collectively, the "Company"), entered into a Loan and Security Agreement (the "Loan Agreement") with Hercules Technology Growth Capital, Inc. (the "Lender"). The Loan Agreement provides for a term loan (the "Loan") of up to $10 million in two tranches, an initial $6 million tranche, which was funded on September 28, 2007, and an additional $4 million tranche available at the Company's option at any time during the period from January 31, 2008 through March 31, 2008. The proceeds of the Loan are for the Company's working capital purposes.

The Loan is secured by the assets of the Company, including the $14.7 million judgment awarded to Diomed, Inc. against AngioDynamics, Inc. and Vascular Solutions, Inc. in the Company's lawsuit in which AngioDynamics and VSI were found to have infringed the Company's EVLT® patent. The Registrant also granted to the Lender a pledge of the shares of Diomed, Inc., and Diomed, Inc. granted to the Lender a pledge of its wholly-owned United States subsidiaries and a share charge of 65% of the outstanding shares of its wholly-owned United Kingdom subsidiary, Diomed Limited.

The Loan bears interest at the prime rate plus 3.20%, will be repayable on an interest-only basis through June 30, 2008 and will thereafter become payable in 24 equal monthly installments of principal and interest, with the final installment due on July 1, 2010, at which time a deferred interest charge of 9.5% of the funds borrowed will also be payable. The Loan may be prepaid at the Company's option, subject to a prepayment fee of 3% of the funds borrowed (if prepaid during the first 12 months), 2% of the funds borrowed (if prepaid during after twelve months but before 24 months) or 1% (if prepaid at 24 months or thereafter).

The Company paid the Lender a $200,000 commitment fee in connection with the Loan, and has agreed to pay the Lender success fees of $900,000 on June 30, 2008 and 1% of the gross consideration paid for the acquisition of the Company should a change of control occur while the Loan is outstanding. The Company also agreed to pay the legal fees and expenses incurred by the Lender in connection with negotiating the Loan Agreement. As additional consideration, the Registrant also issued to the Lender warrants to purchase up to 86,957 shares of Registrant's Common Stock at an exercise price of $0.70 per share, with a term of five years (the "the Lender Warrants").

Consent by Holders of Variable Rate Convertible Debentures

The terms of the outstanding Variable Rate Convertible Debentures due October 2008 (the "2004 Debentures"), issued by the Registrant on October 25, 2004, provide that the Company may not incur indebtedness that is senior to or *pari passu* with the indebtedness represented by the 2004 Debentures or grant a security interest in the Company's assets. To enable the Company to enter into the Loan Agreement, on September 28, 2007, the Company

negotiated for and obtained the consent of each of the four holders of 2004 Debentures (the "Debenture Holders") pursuant to an Agreement and Consent (the "Debenture Holder Consent").

Pursuant to the Debenture Holder Consent, the Registrant amended and restated the 2004 Debentures in the form of an Amended and Restated Variable Rate Secured Subordinated Convertible Debenture due October 2008 (the "Secured 2004 Debenture") by (i) increasing the rate of interest from 400 basis points over six-month LIBOR to the greater of 10% and 500 basis points over six-month LIBOR, (ii) reflecting the adjusted conversion price of the Secured 2004 Debentures of $0.70 per share, which adjustment results from the antidilution adjustment of the 2004 Debentures caused by the issuance of the Lender Warrants (discussed under "Impact on Outstanding Securities," below) and (iii) granting a security interest in all of the Registrant's assets (and, as set forth in a guaranty by Diomed, Inc. of the Registrant's obligations under the Secured 2004 Debenture and a separate security agreement, the assets of Diomed, Inc.), subordinated to the security interest granted to the Lender. The Company made certain representations, warranties and other agreements with the Debenture Holders, including reimbursement of their legal fees, but paid no remuneration for obtaining the Debenture Holder Consents.

The Debenture Holders and the Lender entered into an Intercreditor Agreement, dated September 28, 2007, acknowledged by the Company, pertaining to the creditors' respective rights to the collateral comprising their respective security interests in the Company's assets. The Intercreditor Agreement enables the Lender to block the Registrant from repaying the Secured 2004 Debentures when they become payable, in which case, under the Debenture Holder Consent, the Company agreed to repay the Lender with the proceeds of the judgment in the EVLT® patent litigation case, so long as the Company has received at least $10 million from that $14.7 million judgment by that time.

Under the Debenture Holder Consents, among other things, the Debenture Holders permitted the Company's incurrence of indebtedness under the Loan and the Company's grant of security to the Lender in connection with the Loan, agreed that they had no rights to participate in the Loan and agreed to limit conversions of their Secured 2004 Debentures to 2/3 of the principal amount thereof until such time as the Company obtains the listing of additional shares with the American Stock Exchange to cover all shares into which the outstanding Secured 2004 Debentures would be convertible after giving effect to the antidilution adjustment.

Consent by Holders of Preferred Stock

The terms of the outstanding shares of Preferred Stock issued by the Registrant on September 29, 2006 also prohibit the Company's incurrence of debt and the issuance of Common Stock equivalents, such as the Lender Warrants, at a price lower than $1.15 per share exchange rate of the Preferred Stock (a "Dilutive Issuance"), and provide that dividends must begin to accrue and be payable in the event of a Dilutive Issuance.

To enable the Company to enter into the Loan and the transactions contemplated thereby (including the amended terms of the 2004 Debentures) and to avoid being required to pay dividends, on September 28, 2007, the Company negotiated for and obtained the consent of the requisite holders of Preferred Stock (the "Preferred Stockholders"), which consent was provided under an Agreement and Consent (the "Preferred Stockholder Consent").

Pursuant to the Preferred Stockholder Consent, the Registrant agreed that upon exchange of the Preferred Stock in accordance with its terms, the Registrant will issue to the holders of the Preferred Stock that provided their consents to the Loan, in addition to those shares of Common Stock issuable upon such exchange, additional shares of Common Stock such that the holders of Preferred Stock that provided their consents to the Loan will receive in total the number of shares of Common Stock as if the exchange rate of the Preferred Stock were $0.70 per share.

Under the Preferred Stockholder Consents, among other things, the Preferred Stockholders that provided their consents to the Loan (i) permitted the Company's incurrence of indebtedness under the Loan and the amendments to the 2004 Debentures, (ii) agreed that they had no rights to participate in the Loan, (iii) agreed to limit voting of their Preferred Stock to the number of underlying shares of Common Stock at the exchange rate of $1.15 (without giving effect to the additional shares the Registrant agreed to issue upon conversion), (iv) agreed to permit the issuance of the Lender Warrant and (v) agreed that, notwithstanding the issuance the Lender Warrant or the adjustments to the 2004 Debentures, (1) no antidilution adjustment to the Preferred Stock would occur and (2) dividends would not begin to accrue or be payable on the Preferred Stock as a result of the Dilutive Issuance.

Impact on Outstanding Securities

As stated above, as consideration for the Preferred Stockholder Consents, the Registrant agreed to issue additional shares of Common Stock upon exchange of the Preferred Stock. There are currently 673.6044 shares of Preferred Stock issued and outstanding, exchangeable for a total of 6,736,044 shares of Common Stock, at an exchange rate of $1.15 per share of common at $10,000 per share of Preferred Stock. All of the holders of Preferred Stock provided their consents. As a result, the Registrant will be required to issue up to an additional 4,330,314 shares of its Common Stock at such time as the Preferred Stock is tendered for exchange, for a total of 11,066,358 shares.

Additionally, the terms of certain of the Registrant's currently outstanding securities (the "Antidilution Securities") provide for adjustments to the effective price payable for shares of Common Stock upon conversion or exercise of those Antidilution Securities when the Company completes certain future transactions and the effective price per share of the Common Stock or Common Stock equivalents that are issued in the future transaction is less than the effective price per share under the terms of the Antidilution Security. The issuance of the Lender Warrants constitutes a dilutive transaction under the terms of the Antidilution Securities, triggering the antidilution provisions of certain Antidilution Securities.

Accordingly, Registrant's issuance of the Lender Warrant caused the following adjustments to Antidilution Securities:

- the conversion price of the 2004 Debentures ($3.712 million principal amount currently outstanding) was reduced from $1.15 per share of Common Stock to $0.70 per share, which, when converted, will increase the number of shares of Common Stock to be issued from to 3,227,826 to 5,302,857, or, 2,075,031 shares;

- the exercise price of the warrants to purchase 2,657,461 shares of Common Stock issued to the investors in the Company's financing transaction completed October 28, 2004 (the "2004 Warrants") was reduced from $1.15 to $0.70 per share of Common Stock;

- the exercise price of the warrants to purchase 2,272,000 shares of Common Stock issued to the investors in the Company's financing transaction completed September 30, 2005 (the "2005 Warrants") was reduced from $1.98 to $1.75 per share, and the number of shares of Common Stock issuable upon exercise of the 2005 Warrants will increase from 2,272,000 to 2,572,855, an increase of 300,855 shares;

- the exercise price of the warrants to purchase 370,000 shares of Common Stock issued to the designees of the Registrant's former placement agent, Musket Research Associates, Inc., in the Registrant's financing transaction completed September 29, 2006 (the "MRA Warrants") was reduced to $1.01 per share, and the number of shares of the Common Stock issuable upon exercise of the MRA Warrants will increase from 370,000 to 418,995, an increase of 48,995 shares;

- the exercise price of warrants to purchase 85,578 shares of the Common Stock issued to designees of the Company's former placement agent, Sunrise Securities Corp. (the "Sunrise Warrants"), will be reduced from $1.15 to $0.70 per share.

The following table sets forth the numbers of shares of Common Stock underlying the Preferred Stock and the Antidilution Securities prior to the Loan and related Debenture Holder Consents and Preferred Stockholder Consents, and the numbers of shares that will underly the Lender Warrant, the Preferred Stock and the Antidilution Securities giving effect to the Company's entering into the Loan Agreement, the Preferred Stockholder Consents and the adjustment to Antidilution Securities:

Description of Security	Current Number of Underlying Common Shares	Number of Underlying Shares following Transaction	Net Increase in Underlying Common Shares
the Lender Warrants	0	86,957	86,957
Preferred Stock	6,736,044	11,066,358	4,330,314
2004 Debentures	3,227,826	5,302,857	2,075,031
2004 Warrants	2,657,461	2,657,461	0
2005 Warrants	2,272,000	2,572,855	300,855
MRA Warrants	370,000	418,995	48,995
Sunrise Warrants	85,578	85,578	0
TOTAL	15,348,909	22,191,061	6,842,152

On a fully-diluted basis (*i.e.,* giving effect to all shares of Common Stock of the Registrant underlying Common Stock equivalents outstanding), the total increase in shares of Common Stock issuable under these securities represents approximately 14% of the Company's approximately 50 million outstanding shares.

Company Approval of Loan; Related Transactions

The Board of Directors of the Company approved the Loan, the Debenture Holders Consents and the Preferred Stockholder Consents through its Finance Committee, the members of which are James A. Wylie, Jr., David B. Swank, Geoffrey H. Jenkins, Joseph Harris and Edwin Snape. The Board granted the Finance Committee authority to approve, negotiate and authorize the Company's officers to enter into agreements for debt and equity financings (such as the Loan, Debenture Holder Consent and Preferred Stockholder Consent).

Dr. Snape is a partner of New England Partners ("NEP"), whose affiliates, New England Capital, L.P., and Nexus Medical Partners II S.C.A., SICAR, both of which are managed by NEP and affiliates of NEP, purchased Preferred Stock in the Company's September 29, 2006 financing transaction and are currently Preferred Stockholders. As such, Dr. Snape recused himself from deliberations and voting on the Finance Committee's approval of the Loan, Debenture Holder Consents and Preferred Stockholder Consents, which were approved unanimously by the other members of the Finance Committee. NEP's affiliates gave their consent to the Loan under terms and conditions of the Preferred Stockholder Consent that are identical to the terms and conditions that were negotiated by the other, unaffiliated Preferred Stockholders.

Exemptions from Registration

The Lender Warrants were issued, and the shares of Common Stock issuable upon exercise thereof will be issued, without registration with the Commission, pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 506 promulgated thereunder. The shares of Common Stock that the Registrant agreed to issue as consideration for the Preferred Stockholder Consent and the additional shares of Common Stock that will be issuable upon exercise of the Antidilution Securities will be issued without registration under the Securities Act pursuant to Section 4(2) thereof and Rule 506 thereunder. The Secured 2004 Debentures were issued pursuant to Section 3(a)(9) of the Securities Act.

Transaction Expenses and Net Proceeds

The Company incurred certain transaction expenses in connection with the Loan, the Debenture Holder Consent and the Preferred Stockholder Consent, including (i) the Loan commitment fee of $200,000, (ii) legal fees and expenses of approximately $450,000 payable

to its counsel and counsel representing the Lender and the Debenture Holders, (iii) American Stock Exchange additional listing fees of $47,000 in connection with the listing of the shares of Common Stock underlying the Lender Warrants, the additional shares of Common Stock it agreed to issue to the Preferred Stockholders upon exchange of their Preferred Stock and the increased number of shares of Common Stock underlying the Antidilution Securities and (iv) legal and accounting fees of approximately $75,000 in connection with the registration of certain shares issuable as a result of the Loan. Accordingly, the Company will receive net proceeds of approximately $5,228,000 out of the $6,000,000 tranche under the Loan, excluding the $4,000,000 that will be received if the Company elects to draw the second tranche when it becomes available.

The Company will use the proceeds of the financing, net of transaction expenses, for its general working capital purposes, including legal expenses incurred in patent litigation.

Further Information

This Current Report includes as exhibits copies of the forms of the following documents in connection with the Loan, the Debenture Holder Consent and the Preferred Stockholder Consent, each of which documents is hereby incorporated by reference into this Current Report:

- Loan and Security Agreement, dated as of September 28, 2007, by and between Diomed Holdings, Inc. and Diomed, Inc., on the one hand, and Hercules Technology Growth Capital, Inc., on the other hand (Schedules Omitted);
- Trademark Security Agreement, dated as of September 28, 2007, by and between Diomed Holdings, Inc. and Diomed, Inc., on the one hand, and Hercules Technology Growth Capital, Inc., on the other hand;
- Collateral Grant of Security Interest in Copyrights, dated as of September 28, 2007, by and between Diomed Holdings, Inc. and Diomed, Inc., on the one hand, and Hercules Technology Growth Capital, Inc., on the other hand
- Patent Security Agreement, dated as of September 28, 2007, by and between Diomed Holdings, Inc. and Diomed, Inc., on the one hand, and Hercules Technology Growth Capital, Inc., on the other hand;
- Stock Pledge Agreement, dated as of September 28, 2007, by and between Diomed Holdings, Inc. and Diomed, Inc., on the one hand, and Hercules Technology Growth Capital, Inc., on the other hand and Hercules Technology Growth Capital, Inc., on the other hand;
- Share Charge Agreement, dated as of September 28, 2007, by and between Diomed, Inc. and Hercules Technology Growth Capital, Inc.;
- Warrant Agreement, dated as of September 28, 2007, between Diomed Holdings, Inc. and Hercules Technology Growth Capital, Inc.;

- Debenture Holder Agreement and Consent, dated as of September 28, 2007, between Diomed Holdings, Inc. and each holder of Variable Rate Convertible Debentures due October 2008 (Schedules Omitted);
- Intercreditor Agreement, dated as of September 28, 2007, by and between Hercules Technology Growth Capital, Inc., on the one hand, and each holder of Amended and Restated Secured Subordinated Convertible Debentures due October 2008;
- Form of Amended and Restated Secured Subordinated Convertible Debentures due October 2008 of Diomed Holdings, Inc.;
- Pledge and Security Agreement, dated as of September 28, 2007, by Diomed Holdings, Inc. in favor of the holders of Amended and Restated Secured Subordinated Convertible Debentures due October 2008;
- Guaranty, dated as of September 28, 2007, by Diomed, Inc. in favor of the holders of Amended and Restated Secured Subordinated Convertible Debentures due October 2008;
- Guarantor Pledge and Security Agreement, as of September 28, 2007, by Diomed, Inc. in favor of the holders of Amended and Restated Secured Subordinated Convertible Debentures due October 2008; and
- Preferred Stockholder Agreement and Consent, dated as of September 28, 2007, between Diomed Holdings, Inc. and each holder of Preferred Stock.

The Company also issued a press release relating to the financing transaction on October 1, 2007, which is filed as an Exhibit 99.1 to this Current Report and is hereby incorporated by reference into this Current Report.

ITEM 3.02 UNREGISTERED SALES OF EQUITY SECURITIES

See Item 1.01 of this Current Report.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

Exhibit No.	Description
10.1	Loan and Security Agreement, dated as of September 28, 2007, by and between Diomed Holdings, Inc. and Diomed, Inc., on the one hand, and Hercules Technology Growth Capital, Inc., on the other hand (Schedules Omitted)
10.2	Trademark Security Agreement, dated as of September 28, 2007, by and between Diomed Holdings, Inc. and Diomed, Inc., on the one hand, and Hercules Technology Growth Capital, Inc., on the other hand
10.3	Collateral Grant of Security Interest in Copyrights, dated as of September 28, 2007, by and between Diomed Holdings, Inc. and Diomed, Inc., on the one hand, and Hercules Technology Growth Capital, Inc., on the other hand
10.4	Patent Security Agreement, dated as of September 28, 2007, by and between Diomed Holdings, Inc. and Diomed, Inc., on the one hand, and Hercules Technology Growth Capital, Inc., on the other hand
10.5	Stock Pledge Agreement, dated as of September 28, 2007, by and between Diomed Holdings, Inc. and Diomed, Inc., on the one hand, and Hercules Technology Growth Capital, Inc., on the other hand and Hercules Technology Growth Capital, Inc., on the other hand
10.6	Share Charge Agreement, dated as of September 28, 2007, by and between Diomed, Inc. and Hercules Technology Growth Capital, Inc.
10.7	Warrant Agreement, dated as of September 28, 2007, between Diomed Holdings, Inc. and Hercules Technology Growth Capital, Inc.

10.8	Debenture Holder Agreement and Consent, dated as of September 28, 2007, between Diomed Holdings, Inc. and each holder of Variable Rate Convertible Debentures due October 2008 (Schedules Omitted)
10.9	Intercreditor Agreement, dated as of September 28, 2007, by and between Hercules Technology Growth Capital, Inc., on the one hand, and each holder of Amended and Restated Secured Subordinated Convertible Debentures due October 2008
10.10	Form of Amended and Restated Secured Subordinated Convertible Debentures due October 2008 of Diomed Holdings, Inc.
10.11	Pledge and Security Agreement, dated as of September 28, 2007, by Diomed Holdings, Inc. in favor of the holders of Amended and Restated Secured Subordinated Convertible Debentures due October 2008
10.12	Guaranty, dated as of September 28, 2007, by Diomed, Inc. in favor of the holders of Amended and Restated Secured Subordinated Convertible Debentures due October 2008
10.13	Guarantor Pledge and Security Agreement, as of September 28, 2007, by Diomed, Inc. in favor of the holders of Amended and Restated Secured Subordinated Convertible Debentures due October 2008
10.14	Preferred Stockholder Agreement and Consent, dated as of September 28, 2007, between Diomed Holdings, Inc. and each holder of Preferred Stock
99.1	Press Release issued October 1, 2007 by Diomed Holdings, Inc. and Diomed, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DIOMED HOLDINGS, INC.
(Registrant)

Date: October 1, 2007

By: /s/ David B. Swank
Name: David B. Swank
Title: Chief Financial Officer

List of Exhibits:

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LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT is made and dated as of September 28, 2007 and is entered into by and between DIOMED HOLDINGS, INC., a Delaware corporation ("Holdings"), and DIOMED, INC., a Delaware corporation ("Lead Borrower"), and each of their respective Subsidiaries organized in a jurisdiction of the United States of America (each a "US Subsidiary") that hereinafter becomes a "Borrower" pursuant to the terms hereof (each an "Additional Borrower", and Lead Borrower, Holdings and each Additional Borrower hereinafter collectively referred to as the "Borrowers" and, each individually, a "Borrower"), and HERCULES TECHNOLOGY GROWTH CAPITAL, INC., a Maryland corporation (the "Lender").

RECITALS

A. Borrower has requested Lender to make available to Borrowers a loan in an aggregate principal amount of up to Ten Million Dollars ($10,000,000) (the "Term Loan"); and

B. Lender is willing to make the Term Loan on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, Borrower and Lender agree as follows:

SECTION 1. DEFINITIONS AND RULES OF CONSTRUCTION

1.1. Unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"777 Patent Litigation" means litigation relating to the Borrowers' patent infringement case against AngioDynamics, Inc, and Vascular Solutions, Inc. relating to '777 patent, Civil Action No. 04-10019NMG and Civil Action No. 04-10444NMG, filed in the United States District Court for the District of Massachusetts.

"Account Control Agreement(s)" means any agreement entered into by and among the Lender, any Borrower and a third party Bank or other institution (including a Securities Intermediary) in which such Borrower maintains a Deposit Account or an account holding Investment Property and which is intended to perfect Lender's security interest in the subject account or accounts.

"ACH Authorization" means the ACH Debit Authorization Agreement in substantially the form of Exhibit H.

"Additional Borrower" has the meaning given to such term in the preamble to this Agreement.

"Advances" means any Term Loan Advance.

"Advance Date" means the funding date of any Advance.

"Advance Request" means a request for an Advance submitted by any Borrower to Lender in substantially the form of Exhibit A.

"Aggregate Gross Consideration" means the aggregate amount of cash, notes and the fair market value of any securities or other property paid or payable directly or indirectly to Holdings or to the equityholders of Holdings in connection with a consummated Change in Control, including, without limitation, (i) any dividends paid or any stock redemptions made in connection with the Change in Control, (ii) all indebtedness for borrowed money and other liabilities directly or indirectly assumed, refinanced, retired or extinguished in connection with the Change in Control, or which otherwise remains outstanding with Holdings or any subsidiary thereof as of the consummation of the Change in Control, (iii) all amounts paid or other value ascribed in the Change in Control (including the form of "rollover" options or warrants) in respect of issued warrants, options or other convertible securities, whether or not vested, in connection with the Change in Control, the value of which shall be based on the difference between the acquisition price and exercise or conversion price of such securities; (iv) the full amount of any consideration placed in escrow or otherwise held back to support the Company's (or its stockholders') indemnification or similar obligation under the definitive documents with respect to the Change in Control; (v) the present value (as agreed to in good faith by the parties) of any contingent consideration to be paid in the future; and (vi) the value of any retained interest in Holdings, based on the per-share value paid in the Change in Control, if less than 100% of the equity of Holdings is transferred in the Change in Control.

"Agreement" means this Loan and Security Agreement, as amended from time to time.

"Assignee" has the meaning given to it in Section 12.13.

"Availability Period" has the meaning given to it in Section 2.1(a).

"Borrower" or "Borrowers" has the meaning given to such terms in the preamble to this Agreement.

"Borrower Products" means all products, software, service offerings, technical data or technology currently being designed, manufactured or sold by any Borrower or which any Borrower intends to sell, license, or distribute in the future including any products or service offerings under development, collectively, together with all products, software, service offerings, technical data or technology that have been sold, licensed or distributed by any Borrower since its incorporation.

"Business Day" means a day in which the banking institutions in the State of California are open for business.

"Cash" means all cash and liquid funds.

“Change in Control” means (i) any reorganization, recapitalization, consolidation or merger (or similar transaction or series of related transactions) of any Borrower, (ii) any sale or issuance by any Borrower of new shares of Preferred Stock of such Borrower to investors, none of whom are current investors in such Borrower, and such new shares of Preferred Stock are senior to all existing Preferred Stock and Common Stock with respect to liquidation preferences, and the aggregate liquidation preference of the new shares of Preferred Stock is more than fifty percent (50%) of the aggregate liquidation preference of all shares of Preferred Stock and Common Stock of the Company, (iii) any sale, lease, license or transfer of any substantial part of the assets of any Borrower or any Subsidiary, (iv) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, becomes the "beneficial owner" (as defined in Rules 13d-3 and 13-d5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have “beneficial ownership" of all securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time (such right, an "option right")), directly or indirectly, of 25% or more of the equity securities of Holdings entitled to vote for members of the board of directors or equivalent governing body of Holdings on a fully-diluted basis (and taking into account all such securities that such "person" or "group" has the right to acquire pursuant to any option right), (v) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of Holdings cease to be composed of individuals (a) who were members of that board or equivalent governing body on the first day of such period, or (b) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (a) above constituting at the time of the election or nomination at least a majority of that board or equivalent governing body, or (vi) if at any time Holdings owns less than 100% of all outstanding shares of any of the Lead Borrower, of Diomed Limited, or of Diolaser Mexico S.A. de C.V.

“Change in Control Payment” has the meaning given to it in Section 7.17(c).

“Claims” has the meaning given to it in Section 12.10.

“Closing Date” means the date of this Agreement.

"Closing Success Fee" means a success fee in the amount of $200,000 to be paid by Borrowers to Lender on the Closing Date.

“Collateral” means the property described in Section 3.1.

“Common Stock” means shares of the common stock of Holdings.

“Confidential Information” has the meaning given to it in Section 12.12.

“Contingent Obligation” means, as applied to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to (i) any indebtedness, lease, dividend, letter of credit or other obligation of another, including any such obligation directly or indirectly guaranteed, endorsed, co-made or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable; (ii) any obligations with respect to undrawn letters of credit, corporate credit cards or merchant services issued for the account of that Person; and (iii) all obligations arising under any interest rate, currency or commodity swap agreement, interest rate cap agreement, interest rate collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; provided, however, that the term “Contingent Obligation” shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determined amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith; provided, however, that such amount shall not in any event exceed the maximum amount of the obligations under the guarantee or other support arrangement.

"Convertible Debentures" means the convertible debentures due October 25, 2008, principal amount $3,712,000.

"Convertible Noteholders" means holders of promissory notes pursuant to the Convertible Debentures.

"Copyright License" means any written agreement granting any right to use any Copyright or Copyright registration, now owned or hereafter acquired by any Borrower or in which such Borrower now holds or hereafter acquires any interest.

"Copyright Security Agreement" means a copyright security agreement executed and delivered by each Borrower and the Lender, as such may be amended, restated or otherwise modified from time to time.

"Copyrights" means all copyrights, whether registered or unregistered, held pursuant to the laws of the United States, any State thereof, or of any other country.

"Deposit Accounts" means any "deposit accounts," as such term is defined in the UCC, and includes any checking account, savings account, or certificate of deposit.

"ERISA" is the Employee Retirement Income Security Act of 1974, and its regulations.

"Event of Default" has the meaning given to it in Section 10.

"Facility Charge" means two percent (2.0%) of the Maximum Term Loan Amount.

"Financial Statements" has the meaning given to it in Section 7.1.

"GAAP" means generally accepted accounting principles in the United States of America, as in effect from time to time.

"Governmental Authority" shall mean the government of the United States, any foreign country or any multinational authority, or any state, commonwealth, protectorate or political subdivision thereof, and any entity, body or authority exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including the PBGC and other quasi-governmental entities established to perform such functions.

"Indebtedness" means indebtedness of any kind, including (a) all indebtedness for borrowed money or the deferred purchase price of property or services, including reimbursement and other obligations with respect to surety bonds and letters of credit, (b) all obligations evidenced by notes, bonds, debentures or similar instruments, (c) all capital lease obligations, and (d) all Contingent Obligations.

"Insolvency Proceeding" is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"Intellectual Property" means all of Borrowers' Copyrights; Trademarks; Patents; Licenses; trade secrets and inventions; mask works; Borrowers' applications therefor and reissues, extensions, or renewals thereof; and Borrowers' goodwill associated with any of the foregoing, together with Borrowers' rights to sue for past, present and future infringement of Intellectual Property and the goodwill associated therewith.

"Intercreditor Agreement" means that certain Intercreditor Agreement dated the date hereof between all holders of Convertible Debentures and the Lender pursuant to which each such holder subordinates its right to payment and performance of, and all liens and security interests securing, the Subordinated Debt (as defined therein) in favor of the Lender.

"Investment" means any beneficial ownership (including stock, partnership or limited liability company interests) of or in any Person, or any loan, advance or capital contribution to any Person or the acquisition of all, or substantially all, of the assets of another Person.

"Judgment" means any judgment of the United States District Court for the District of Massachusetts or any successor court in respect of the 777 Patent Litigation.

"Joinder Agreements" means for each Additional Borrower, a completed and executed Joinder Agreement in substantially the form attached hereto as Exhibit G.

"Lender" has the meaning given to it in the preamble to this Agreement.

"Lender Expenses" are all audit fees and expenses, costs, and expenses (including reasonable attorneys' fees and expenses) for preparing, negotiating, administering, defending and enforcing the Loan Documents (including, without limitation, those incurred in connection with appeals or Insolvency Proceedings) or otherwise incurred with respect to any Borrower.

"License" means any Copyright License, Patent License, Trademark License or other license of rights or interests.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment for security, security interest, encumbrance, levy, lien or charge of any kind, whether voluntarily incurred or arising by operation of law or otherwise, against any property, any conditional sale or other title retention agreement, and any lease in the nature of a security interest, and the filing of any financing statement (other than a precautionary financing statement with respect to a lease that is not in the nature of a security interest) under the UCC or comparable law of any jurisdiction.

"Loan" means the Advances made under this Agreement.

"Loan Documents" means this Agreement, the Notes, the Intercreditor Agreement, the ACH Authorization, the Pledge Agreements, the Account Control Agreements, the Joinder Agreements, the Copyright Security Agreement, the Trademark Security Agreement, the Patent Security Agreement, all UCC Financing Statements, the Warrant, the Supplemental Warrant and any other documents executed in connection with the Secured Obligations or the transactions contemplated hereby, as the same may from time to time be amended, modified, supplemented or restated.

"Material Adverse Effect" means a material adverse effect upon: (i) the business, operations, properties, assets or condition (financial or otherwise) of the Borrowers taken as a whole; or (ii) the ability of the Borrowers to perform the Secured Obligations in accordance with the terms of the Loan Documents, or the ability of Lender to enforce any of its rights or remedies with respect to the Secured Obligations; or (iii) the Collateral or Lender's Liens on the Collateral or the priority of such Liens.

"Maximum Term Loan Amount" means Ten Million and No/100 Dollars ($10,000,000).

"Maximum Rate" shall have the meaning assigned to such term in Section 2.2.

"Next Event" means the closing of Holdings' next round of private equity financing which first becomes effective after the Closing Date and results in aggregate proceeds to any Borrower of at least $10,000,000.

"Notes" means any Term Note as it may be amended, restated or modified from time to time.

"Patent License" means any written agreement granting any right with respect to any invention on which a Patent is in existence or a Patent application is pending, in which agreement any Borrower now holds or hereafter acquires any interest.

"Patents" means all letters patent of, or rights corresponding thereto, in the United States or in any other country, all registrations and recordings thereof, and all applications for letters patent of, or rights corresponding thereto, in the United States or any other country.

"Patent Security Agreement" means a patent security agreement executed and delivered by each Borrower and the Lender, as such may be amended, restated or otherwise modified from time to time.

"Permitted Indebtedness" means: (i) Indebtedness of any Borrower in favor of Lender arising under this Agreement or any other Loan Document; (ii) Indebtedness existing on the Closing Date which is disclosed in Schedule 1A; (iii) Indebtedness of up to $100,000 outstanding at any time secured by a lien described in clause (vii) of the defined term "Permitted Liens," provided such Indebtedness does not exceed the lesser of the cost or fair market value of the Equipment financed with such Indebtedness; (iv) Indebtedness to trade creditors incurred in the ordinary course of business not outstanding for more than one hundred and twenty (120) days, including Indebtedness incurred in the ordinary course of business with corporate credit cards; (v) Indebtedness that also constitutes a Permitted Investment; (vi) reimbursement obligations in connection with letters of credit that are secured by cash or cash equivalents and issued on behalf of any Borrower or any Subsidiary thereof in an amount not to exceed $200,000 at any time outstanding; (vii) Indebtedness owing from any Borrower to another Borrower; (viii) other Indebtedness in an amount not to exceed $200,000 at any time outstanding; and (ix) extensions, refinancings and renewals of any items of Permitted Indebtedness, provided that the principal amount is not increased or the terms modified to impose materially more burdensome terms upon the relevant Borrower or its Subsidiary, as the case may be.

"Permitted Investment" means: (i) Investments existing on the Closing Date which are disclosed in Schedule 1B; (ii) (a) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency or any State thereof maturing within one year from the date of acquisition thereof, (b) commercial paper maturing no more than one year from the date of creation thereof and currently having rating of at least A-2 or P-2 from either Standard & Poor's Corporation or Moody's Investors Service, (c) certificates of deposit issued by any bank with assets of at least $500,000,000 maturing no more than one year from the date of investment therein, and (d) money market accounts; (iii) repurchases of stock from former employees, directors, or consultants of any Borrower under the terms of applicable repurchase agreements at the original issuance price of such securities in an aggregate amount not to exceed $250,000 in any fiscal year, provided that no Event of Default has occurred, is continuing or would exist after giving effect to the repurchases; (iv) Investments accepted in connection with Permitted Transfers; (v) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of a Borrower's business; (vi) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not affiliates, in the ordinary course of business, provided that this subparagraph (vi) shall not apply to Investments of any Borrower in any Subsidiary; (vii) Investments consisting of loans not involving the net transfer on a substantially contemporaneous basis of cash proceeds to employees, officers or directors relating to the purchase of capital stock of a Borrower pursuant to employee stock purchase plans or other similar agreements approved by such Borrower's Board of Directors; (viii) Investments consisting of travel advances in the ordinary course of business; (ix) Investments in newly-formed Subsidiaries organized in the United States, provided that such Subsidiaries enter into a Joinder Agreement promptly after their formation by Borrower and execute such other documents as shall be reasonably requested by Lender; (x) joint ventures or strategic alliances in the ordinary course of a Borrower's business consisting of the nonexclusive licensing of technology, the development of technology or the providing of technical support, provided that any cash Investments by any Borrower do not exceed $100,000 in the aggregate in any fiscal year; (xi) so long as no Event of Default has occurred or is continuing, Investments in Diomed Limited to be used solely for the purchase of inventory for resale to customers and for use by sales personnel in the ordinary course of business and for the payment of operating expenses incurred in the ordinary course of business and consistent with past practices of Diomed Limited and on behalf of Diomed Limited, provided that the funding of any such Investment shall not be made until a date which is more than thirty (30) days prior to the date any amounts in this clause (xi) are due and payable; (xii) so long as no Event of Default has occurred or is continuing, Investments made in Diolaser Mexico S.A. de C.V., not to exceed $250,000 in the aggregate per fiscal year; and (xiii) additional Investments that do not exceed $250,000 in the aggregate. For the avoidance of doubt, Investments to Restricted Subsidiaries are not permitted without the prior written consent of the Lender.

"Permitted Liens" means any and all of the following: (i) Liens in favor of Lender; (ii) Liens existing on the Closing Date which are disclosed in Schedule 1C; (iii) Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings; provided, that each Borrower maintains adequate reserves therefor in accordance with GAAP; (iv) Liens securing claims or demands of materialmen, artisans, mechanics, carriers, warehousemen, landlords and other like Persons arising in the ordinary course of a Borrower's business and imposed without action of such parties; provided, that the payment thereof is not yet required; (v) Liens arising from judgments, decrees or attachments in circumstances which do not constitute an Event of Default hereunder; (vi) the following deposits, to the extent made in the ordinary course of business: deposits under worker's compensation, unemployment insurance, social security and other similar laws, or to secure the performance of bids, tenders or contracts (other than for the repayment of borrowed money) or to secure indemnity, performance or other similar bonds for the performance of bids, tenders or contracts (other than for the repayment of borrowed money) or to secure statutory obligations (other than liens arising under ERISA or environmental liens) or surety or appeal bonds, or to secure indemnity, performance or other similar bonds; (vii) Liens on Equipment or software or other intellectual property constituting purchase money liens and Liens in connection with capital leases securing Indebtedness permitted in clause (iii) of "Permitted Indebtedness"; (viii) leasehold interests in leases or subleases and licenses granted in the ordinary course of business and not interfering in any material respect with the business of the licensor; (ix) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of custom duties that are promptly paid on or before the date they become due; (x) Liens on insurance proceeds securing the payment of financed insurance premiums that are promptly paid on or before the date they become due (provided that such Liens extend only to such insurance proceeds and not to any other property or assets); (xi) statutory and common law rights of set-off and other similar rights as to deposits of cash and securities in favor of banks, other depository institutions and brokerage firms; (xii) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business so long as they do not materially impair the value or marketability of the related property; and (xiii) Liens on cash or cash equivalents securing obligations permitted under clause (vi) of the definition of Permitted Indebtedness; and (xiv) Liens incurred in connection with the extension, renewal or refinancing of the indebtedness secured by Liens of the type described in clauses (i) through (x) above; provided, that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness being extended, renewed or refinanced (as may have been reduced by any payment thereon) does not increase.

"Permitted Transfers" means (i) sales of Inventory in the normal course of business including, without limitation, sales or pre-sales of Inventory in the normal course of business and on arms length terms to either Diolaser Mexico S.A. de C.V. or Diomed Limited; (ii) non-exclusive licenses and similar arrangements for the use of Intellectual Property in the ordinary course of business and licenses that could not result in a legal transfer of title of the licensed property but that may be exclusive in respects other than territory and that may be exclusive as to territory only as to discreet geographical areas outside of the United States in the ordinary course of business; (iii) dispositions of worn-out, obsolete or surplus Equipment at fair market value in the ordinary course of business; and (iv) other Transfers of assets having a fair market value of not more than $250,000 in the aggregate in any fiscal year. For the avoidance of doubt, no transfers to Restricted Subsidiaries are permitted without the prior written consent of the Lender.

"Person" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, other entity or government.

"Pledge Agreements" means (a) that certain Pledge Agreement, dated as of the Closing Date, executed and delivered by Holdings pledging its interest in the Lead Borrower and the Lead Borrower pledging its interest in Diomed PDT, Inc. and Diomed Acquisition Corp., and (b) that certain Share Charge dated as of the Closing Date, executed and delivered by the Lead Borrower pledging its interest in Diomed Limited, and (c) any other pledge agreement executed and delivered pursuant to the terms hereof, as each such agreement may be amended, restated or otherwise modified from time to time.

"Preferred Stock" means at any given time any equity security issued by any Borrower that has any rights, preferences or privileges senior to such Borrower's common stock.

"Prepayment Charge" has the meaning given to it in Section 2.4.

"Restricted Subsidiaries" means Diomed PDT, Inc. and Diomed Acquisition Corp.

"Secured Obligations" means each Borrower's obligation to repay to Lender the Loan and all Advances (whether or not evidenced by any Note), together with all principal, interest, fees, costs, professional fees and expenses, or other liabilities or obligations for monetary amounts owed by any Borrower to Lender however arising, including the indemnity and insurance obligations in Section 6 and including such amounts as may accrue or be incurred before or after default or workout or the commencement of any liquidation, dissolution, bankruptcy, receivership or reorganization by or against any Borrower, whether due or to become due, matured or unmatured, liquidated or unliquidated, contingent or non-contingent, and all covenants and duties of any kind or nature, present or future, in each case, arising under this Agreement, the Notes, or any of the other Loan Documents, as the same may from time to time be amended, modified, supplemented or restated, whether or not such obligations are partially or fully secured by the value of Collateral.

"Subsidiary" means an entity, whether corporate, partnership, limited liability company, joint venture or otherwise, in which any Borrower owns or controls 50% or more of the outstanding voting securities, including each entity listed on Schedule 1 hereto.

"Term Loan Advance" means any Term Loan funds advanced under this Agreement.

"Term Loan Interest Rate" means for any day, the prime rate as reported in The Wall Street Journal plus 3.20%.

"Term Loan Maturity Date" means July 1, 2010.

"Term Note" means a promissory note in substantially the form of Exhibit B.

"Trademark License" means any written agreement granting any right to use any Trademark or Trademark registration, now owned or hereafter acquired by any Borrower or in which any Borrower now holds or hereafter acquires any interest.

"Trademarks" means all trademarks (registered, common law or otherwise) and any applications in connection therewith, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof.

"Trademark Security Agreement" means a trademark security agreement executed and delivered by each Borrower and the Lender, as such may be amended, restated or otherwise modified from time to time.

"UCC" means the Uniform Commercial Code as the same is, from time to time, in effect in the State of California; provided, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, Lender's Lien on any Collateral is governed by the Uniform Commercial Code as the same is, from time to time, in effect in a jurisdiction other than the State of California, then the term "UCC" shall mean the Uniform Commercial Code as in effect, from time to time, in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

"US Subsidiary" has the meaning given to such term in the preamble to this Agreement.

"Warrant" means the warrant entered into in connection with the Loan.

1.2. Unless otherwise specified, all references in this Agreement or any Annex or Schedule hereto to a "Section," "subsection," "Exhibit," "Annex," or "Schedule" shall refer to the corresponding Section, subsection, Exhibit, Annex, or Schedule in or to this Agreement. Unless otherwise specifically provided herein, any accounting term used in this Agreement or the other Loan Documents shall have the meaning customarily given such term in accordance with GAAP, and all financial computations hereunder shall be computed in accordance with GAAP, consistently applied. Unless otherwise defined herein or in the other Loan Documents, terms that are used herein or in the other Loan Documents and defined in the UCC shall have the meanings given to them in the UCC.

SECTION 2. THE LOAN

2.1. Term Loan.

(a) Advances. Subject to the terms and conditions of this Agreement, Lender will make and Borrowers agree to draw, a Term Loan Advance of $6,000,000 on the Closing Date. Any Borrower may request additional Term Loan Advances in an aggregate amount up to $4,000,000, to be advanced in minimum increments of $2,000,000, beginning on January 31, 2008 and continuing until March 30, 2008 (the "Availability Period"). The aggregate outstanding Term Loan Advances may be up to and shall not exceed the Maximum Term Loan Amount.

(b) Advance Request. To obtain a Term Loan Advance, the relevant Borrower shall complete, sign and deliver an Advance Request to Lender and each Borrower shall complete, sign and deliver a Term Note to Lender. Lender shall fund the Term Loan Advance in the manner requested by the Advance Request provided that each of the conditions precedent to such Term Loan Advance is satisfied as of the requested Advance Date.

(c) Interest. The principal balance of each Term Loan Advance shall bear interest thereon from such Advance Date at the Term Loan Interest Rate based on a year consisting of 360 days, with interest computed daily based on the actual number of days elapsed. The Term Loan Interest Rate for each Term Loan Advance will be fixed on the date of that Term Loan Advance, and will apply to that Term Loan Advance for so long as it is outstanding, including during the period of amortization.

(d) Payment. Borrower will pay interest on each Term Loan Advance on the first day of each month, beginning the month after the Advance Date. Borrower shall repay the aggregate Term Loan principal balance that is outstanding on June 30, 2008 in 24 equal monthly installments of principal and interest beginning July 1, 2008 and continuing on the first business day of each month thereafter. The Term Loan entire principal balance and all accrued but unpaid interest hereunder, shall be due and payable on the Term Loan Maturity Date. Borrower shall make all payments under this Agreement without setoff, recoupment or deduction and regardless of any counterclaim or defense. Lender will initiate debit entries to the relevant Borrower's account as authorized on the ACH Authorization on each payment date of all periodic obligations payable to Lender under each Term Note or Term Advance.

2.2. Maximum Interest. Notwithstanding any provision in this Agreement, the Notes, or any other Loan Document, it is the Parties' intent not to contract for, charge or receive interest at a rate that is greater than the maximum rate permissible by law that a court of competent jurisdiction shall deem applicable hereto (which under the laws of the State of California shall be deemed to be the laws relating to permissible rates of interest on commercial loans) (the "Maximum Rate"). If a court of competent jurisdiction shall finally determine that Borrowers have actually paid to Lender an amount of interest in excess of the amount that would have been payable if all of the Secured Obligations had at all times borne interest at the Maximum Rate, then such excess interest actually paid by the Borrowers shall be applied as follows: first, to the payment of principal outstanding on the Notes; second, after all principal is repaid, to the payment of Lender's accrued interest, costs, expenses, professional fees and any other Secured Obligations; and third, after all Secured Obligations are repaid, the excess (if any) shall be refunded to the Borrowers.

2.3. Default Interest. In the event any payment is not paid on the scheduled payment date, an amount equal to five percent (5%) of the past due amount shall be payable on demand. In addition, upon the occurrence and during the continuation of an Event of Default hereunder, all Secured Obligations, including principal, interest, compounded interest, and professional fees, shall bear interest at a rate per annum equal to the rate set forth in Section 2.1(c) plus five percent (5%) per annum. In the event any interest is not paid when due hereunder, delinquent interest shall be added to principal and shall bear interest on interest, compounded at the rate set forth in Section 2.1(c) or Section 2.3, as applicable.

2.4. Prepayment. At its option upon at least 7 business days prior notice to Lender, Borrowers may prepay all, but not less than all, of the outstanding Advances by paying the entire principal balance, all accrued and unpaid interest, together with a prepayment charge equal to the following percentage of the Advance amount being prepaid; if such Advance amounts are prepaid in any of the first twelve (12) months following the Closing Date, 3%; after twelve (12) months but prior to twenty four (24) months, 2%; and thereafter, 1% (each, a "Prepayment Charge"). Each Borrower agrees that the Prepayment Charge is a reasonable calculation of Lender's lost profits in view of the difficulties and impracticality of determining actual damages resulting from an early repayment of the Advances. Borrowers shall prepay the outstanding amount of all principal and accrued interest and unpaid interest upon a Change of Control. Borrowers shall not be required to pay a Prepayment Charge and such Prepayment Charge shall be deemed waived in the event of the Borrowers' early repayment of the Advances is made substantially contemporaneously with the acquisition of all or substantially all of the assets of Holdings by a third party or all or substantially all of the stock of Holdings by a third party or the merger or consolidation of holdings with a third party.

2.5. End of Term Charge. On the earliest to occur of (i) the Term Loan Maturity Date, (ii) the date that Borrower prepays the outstanding Obligations, or (iii) the Obligations become due and payable, Borrower shall pay Lender a charge of 9.50% of the aggregate Advances made to the Borrowers.

2.6. Joint and Several Liability of the Borrowers. Each Borrower is accepting joint and several liability hereunder and under the other Loan Documents in consideration of the financial accommodations to be provided by Lender under this Agreement, for the mutual benefit, directly and indirectly, of each Borrower and in consideration of the undertakings of the other Borrowers to accept joint and several liability for the Secured Obligations. Each Borrower, jointly and severally, hereby irrevocably, absolutely and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the other Borrowers, with respect to the payment and performance of all of the Secured Obligations (including, without limitation, any Secured Obligations arising under this Section 2.6), it being the intention of Borrowers that all the Secured Obligations shall be the joint and several obligations of Borrowers without preferences or distinction among them. If and to the extent that any of Borrowers shall fail to make any payment with respect to any of the Secured Obligations as and when due or to perform any of the Secured Obligations in accordance with the terms thereof, then in each such event, the other Persons composing Borrowers will make such payment with respect to, or perform, such Secured Obligation. Each Borrower hereby agrees that it will not enforce any of its rights of contribution or subrogation against Borrowers with respect to any liability incurred by it hereunder or under any of the other Loan Documents, any payments made by it to Lender with respect to any of the Secured Obligations or any collateral security therefor until such time as all of the Secured Obligations have been paid in full in cash. Any claim which any Borrower may have against any other Borrower with respect to any payments to Lender hereunder or under any other Loan Documents are hereby expressly made subordinate and junior in right of payment, without limitation as to any increases in the Secured Obligations arising hereunder or thereunder, to the prior payment in full in cash of the Secured Obligations and, in the event of any insolvency, bankruptcy, receivership, liquidation, reorganization or other similar proceeding under the laws of any jurisdiction relating to any Borrower, its debts or its assets, whether voluntary or involuntary, all such Secured Obligations shall be paid in full in cash before any payment or distribution of any character, whether in cash, securities or other property, shall be made to any other Borrower therefor.

2.7. Lead Borrower. Each Borrower hereby irrevocably appoints Diomed, Inc. as the borrowing agent and attorney-in-fact for all Borrowers, which appointment shall remain in full force and effect unless and until Lender shall have received prior written notice signed by each Borrower that such appointment has been revoked and that another Borrower has been appointed Lead Borrower.

SECTION 3. SECURITY INTEREST

3.1. As security for the prompt, complete and indefeasible payment when due (whether on the payment dates or otherwise) of all the Secured Obligations, each Borrower grants to Lender a security interest in all of such Borrower's personal property now owned or hereafter acquired, including the following: (collectively, the "Collateral"): (a) Accounts; (b) Equipment; (c) Fixtures; (d) General Intangibles; (e) Inventory; (f) Investment Property (but excluding (a) thirty-five percent (35%) of the capital stock of any foreign Subsidiary that constitutes a Permitted Investment, and (b) the capital stock of Luminetix Corp. (but, for the avoidance of doubt, Collateral shall include any proceeds or distributions in respect thereof); (g) Deposit Accounts; (h) Cash; (i) Goods and other tangible and intangible personal property of any Borrower whether now or hereafter owned or existing, leased, consigned by or to, or acquired by, such Borrower and wherever located; (j) Patents, Patent Licenses; (k) Trademarks and Trademark Licenses; (l) Copyrights and Copyright Licenses; (m) all right, title, interest and claim of any Borrower to or in respect of all sums due and to become due to any Borrower arising out of or pursuant to the Judgment; and (n) to the extent not otherwise included, all Proceeds of each of the foregoing and all accessions to, substitutions and replacements for, and rents, profits and products of each of the foregoing.

3.2. Authorization to File Financing Statements. Each Borrower hereby irrevocably authorizes the Lender at any time and from time to time to file in any filing office in any UCC jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of such Borrower or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the UCC, or (ii) as being of an equal or lesser scope or with greater detail, and (b) provide any other information required by part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment. Each Borrower agrees to furnish any such information to the Lender promptly upon request. Each Borrower also ratifies its authorization for the Lender to have filed in any UCC jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

3.3. Other Actions. Further to insure the attachment, perfection and first priority (subject to Permitted Liens) of, and the ability of the Lender to enforce the Lender's Liens, each Borrower agrees, in each case at the Borrowers' expense, to take the following actions with respect to the following Collateral and without limitation on the Borrowers' other obligations contained in this Agreement:

(a) Promissory Notes and Tangible Chattel Paper. If any Borrower shall, now or at any time hereafter, hold or acquire any promissory notes or tangible chattel paper (other than leases of lasers in the ordinary course of business), such Borrower shall, at Lender's request, forthwith endorse, assign and deliver the same to the Lender, accompanied by such instruments of transfer or assignment duly executed in blank as the Lender may from time to time specify.

(b) Deposit Accounts. For each deposit account that any Borrower, now or at any time hereafter, opens or maintains, such Borrower shall, prior to or concurrently with the opening of such deposit account, pursuant to an agreement in form and substance reasonably satisfactory to the Lender, cause the depositary bank to agree to comply, without further consent of such Borrower, at any time during the continuance of an Event of Default with instructions from the Lender to such depositary bank directing the disposition of funds from time to time credited to such deposit account. The provisions of this paragraph shall not apply to a deposit account for which the Lender is the depositary bank and is in automatic control, (y) any deposit accounts specially and exclusively used for petty cash and which shall not at any time contain more than $10,000, and (z) any deposit accounts specially and exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of such Borrower's salaried employees.

(c) Investment Property. If any Borrower shall, now or at any time hereafter, hold or acquire any certificated securities, such Borrower shall forthwith endorse, assign and deliver the same to the Lender, accompanied by such instruments of transfer or assignment duly executed in blank as the Lender may from time to time specify. If any securities now or hereafter acquired by any Borrower are uncertificated and are issued to such Borrower or its nominee directly by the issuer thereof, such Borrower shall promptly, but no later than three (3) Business Days after receipt thereof notify the Lender thereof and, at the Lender's request and option, either (i) cause the issuer to enter into an Account Control Agreement or an agreement under Section 8-106 of the UCC whereby the issuer agrees with instructions originated by Lender without further consent by any Borrower, or (ii) pursuant to an agreement in form and substance satisfactory to the Lender, arrange for the Lender to become the registered owner of the securities. If any securities, whether certificated or uncertificated, or other investment property now or hereafter acquired by any Borrower are held by such Borrower or its nominee through a securities intermediary or commodity intermediary, such Borrower shall promptly, but no later than three (3) Business Days after receipt thereof notify the Lender thereof and, at the Lender's request and option, either (x) cause such securities intermediary or (as the case may be) commodity intermediary to enter into an Account Control Agreement, or (y) pursuant to an agreement in form and substance satisfactory to the Lender, in the case of financial assets or other investment property held through a securities intermediary, arrange for the Lender to become the entitlement holder with respect to such investment property, with such Borrower being permitted, only with the consent of the Lender, to exercise rights to withdraw or otherwise deal with such investment property. The provisions of this paragraph shall not apply to any financial assets credited to a securities account for which the Lender is the securities intermediary.

(d) Collateral in the Possession of a Bailee. If any Collateral is, now or at any time hereafter, in the possession of a bailee, Borrowers shall promptly notify the Lender thereof and, at the Lender's request and option, shall promptly obtain a bailee acknowledgment and access agreement in form and substance reasonably satisfactory to the Lender.

(e) Letter-of-credit Rights. If any Borrower is, now or at any time hereafter, a beneficiary under a letter of credit, such Borrower shall promptly notify the Lender thereof and, at the request and option of the Lender, such Borrower shall, pursuant to an agreement in form and substance reasonably satisfactory to the Lender, either (a) arrange for the issuer and any confirmer of such letter of credit to consent to an assignment to the Lender of the proceeds of the letter of credit or (b) arrange for the Lender to become the transferee beneficiary of the letter of credit.

(f) Commercial Tort Claims. If any Borrower shall, now or at any time hereafter, hold or acquire a commercial tort claim in an amount greater than $100,000, such Borrower shall promptly notify the Lender in a writing signed by such Borrower of the particulars thereof and grant to the Lender in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to the Lender.

(g) Judgment. The Borrowers shall file pleadings with the appropriate court indicating that the Judgment has been assigned to the Lender as collateral security and shall serve such pleadings on the defendants in the 777 Patent Litigation.

(h) Other Actions as to any and all Collateral. Each Borrower further agrees, upon the request of the Lender and at the Lender's option, to take any and all other actions as the Lender may reasonably determine to be necessary or useful for the attachment, perfection and first priority (subject to Permitted Liens) of, and the ability of the Lender to enforce, the Lender's Lien in any and all of the Collateral, including (i) executing, delivering and, where appropriate, filing financing statements and amendments relating thereto under the UCC, to the extent, if any, that the applicable Borrower's signature thereon is required therefor, (ii) causing the Lender's name to be noted as secured party on any certificate of title for a titled good if such notation is a condition to attachment, perfection or priority of, or ability of the Lender to enforce, the Lender's security interest in such Collateral, (iii) complying with any provision of any statute, regulation or treaty of the United States as to any Collateral if compliance with such provision is a condition to attachment, perfection or priority of, or ability of the Lender to enforce, the Lender's security interest in such Collateral, (iv) obtaining governmental and other third party waivers, consents and approvals, in form and substance reasonably satisfactory to the Lender, including any consent of any licensor, lessor or other person obligated on Collateral, (v) obtaining waivers from mortgagees and landlords in form and substance reasonably satisfactory to the Lender, (vi) creating and perfecting Liens in favor of the Lender in any real property acquired after the Closing Date, and (vii) taking all actions under any earlier versions of the UCC or under any other law, as reasonably determined by the Lender to be applicable in any relevant UCC or other jurisdiction, including any foreign jurisdiction. In addition to the foregoing, each Borrower shall on such periodic basis as the Lender shall require, (w) provide the Lender with a report of all new patentable, copyrightable or trademarkable materials acquired or generated by such Borrower during the prior period (whether or not the Borrower ultimately causes such patent, copyright or trademark to be registered as set forth in clause (x) below), (x) cause all patents, copyrights, and trademarks acquired or generated by such Borrower material to its business that are not already the subject of a registration with the appropriate filing office (or an application therefor diligently prosecuted) and the registration of which would not significantly compromise the Borrower's competitive position, to be registered with such appropriate filing office in a manner sufficient to impart constructive notice of such Borrower's ownership thereof, (y) cause to be prepared, executed, and delivered to the Lender supplemental schedules to the applicable Loan Documents to identify such patents, copyrights and trademarks as being subject to the security interests created thereunder, and (z) execute and deliver to the Lender at the Lender's request Patent, Trademark or Copyright Security Agreements with respect to such patents, trademarks or copyrights for filing with the appropriate filing office.

3.4. Collateral Assignment. Each Borrower agrees and acknowledges that the grant of a security interest in the Judgment as set forth in Section 3.1 is a collateral assignment thereof and the Borrowers hereby collaterally assign such Judgment to the Lender.

3.5. Relation to Other Security Documents. Concurrently herewith each Borrower is executing and delivering to the Lender the Pledge Agreements, a Copyright Security Agreement, a Patent Security Agreement and a Trademark Security Agreement pursuant to which such Borrower is assigning to the Lender certain Collateral as set forth in such agreements. The provisions of such agreements are supplemental to the provisions of this Agreement, and nothing contained in such agreements shall derogate from any of the rights or remedies of the Lender. Neither the delivery of, nor anything contained in, such agreements shall be deemed to prevent or postpone the time of attachment or perfection of any security interest in such Collateral created hereby.

3.6. Power of Attorney. Each Borrower hereby irrevocably makes, constitutes, and appoints the Lender (and any of the Lender's officers, employees, or agents designated by the Lender) as such Borrower's true and lawful attorney, with power to (a) if such Borrower refuses to, or fails timely to execute and deliver any of the documents described in Section 3.2, sign the name of Borrower on any of the documents described in Section 3.2, (b) at any time that an Event of Default has occurred and is continuing, sign Borrower's name on any invoice or bill of lading relating to the Collateral, drafts against account debtors, or notices to account debtors, (c) at any time that an Event of Default has occurred and is continuing, send requests for verification of Receivables, (d) at any time that an Event of Default has occurred and is continuing, endorse Borrower's name on any collection item that may come into the Lender's possession, (e) at any time that an Event of Default has occurred and is continuing, make, settle, and adjust all claims under the Borrower's policies of insurance and make all determinations and decisions with respect to such policies of insurance, and (f) at any time that an Event of Default has occurred and is continuing, settle and adjust disputes and claims respecting the Receivables, Chattel Paper, or General Intangibles directly with account debtors, for amounts and upon terms that the Lender determines to be reasonable, and the Lender may cause to be executed and delivered any documents and releases that the Lender determines to be necessary. The appointment of the Lender as each Borrower's attorney, and each and every one of its rights and powers, being coupled with an interest, is irrevocable until all of the Obligations have been fully and finally repaid in cash and performed and the Lender's obligations to extend credit hereunder are terminated.

SECTION 4. CONDITIONS PRECEDENT TO LOAN

The obligations of Lender to make the Loan hereunder are subject to the satisfaction by Borrowers of the following conditions:

4.1. Initial Advance. On or prior to the Closing Date, Borrowers shall have delivered to Lender the following:

(a) executed originals of the Loan Documents required to be delivered on the Closing Date, a legal opinion of Borrowers' counsel, and all other documents and instruments reasonably required by Lender to effectuate the transactions contemplated hereby or to create and perfect the Liens of Lender with respect to all Collateral, in all cases in form and substance reasonably acceptable to Lender;

(b) certified copy of resolutions of each Borrower's board of directors evidencing approval of (i) the Loan and other transactions evidenced by the Loan Documents; and (ii) the Warrant and transactions evidenced thereby;

(c) certified copies of the Certificate of Incorporation and the Bylaws, as amended through the Closing Date, of each Borrower;

(d) a certificate of good standing for each Borrower from its state of incorporation and similar certificates from all other jurisdictions in which it does business and where the failure to be qualified would have a Material Adverse Effect;

(e) (i) to the extent not paid prior to the Closing Date, payment of the Facility Charge and reimbursement of Lender's current expenses reimbursable pursuant to this Agreement, and (ii) payment of the Closing Success Fee as set forth in Section 7.17(a), in each case which amounts may be deducted from the initial Advance;

(f) evidence of insurance, together with endorsements identifying Lender as additional insured on all liability policies and loss payee on all property policies;

(g) results of UCC searches with respect to the Collateral indicating no Liens other than Permitted Liens and otherwise in form and substance satisfactory to the Lender;

(h) written consent of the holders of Holdings' Preferred Stock;

(i) written consent of the Convertible Noteholders; and

(j) such other documents as Lender may reasonably request.

4.2. All Advances. On each Advance Date:

(a) Lender shall have received (i) an Advance Request and a Note for the relevant Advance as required by Section 2.1(b), each duly executed by the relevant Borrower's Chief Executive Officer or Chief Financial Officer, and (ii) any other documents Lender may reasonably request.

(b) The representations and warranties set forth in this Agreement and in Section 5 and in the Warrant shall be true and correct in all material respects on and as of the Advance Date with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(c) Each Borrower shall be in compliance with all the terms and provisions set forth herein and in each other Loan Document on its part to be observed or performed, and at the time of and immediately after such Advance no Event of Default shall have occurred and be continuing.

(d) Each Advance Request shall be deemed to constitute a representation and warranty by each Borrower on the relevant Advance Date as to the matters specified in paragraphs (b) and (c) of this Section 4.2 and as to the matters set forth in the Advance Request.

4.3. No Default. As of the Closing Date and each Advance Date, (i) no fact or condition exists that would (or would, with the passage of time, the giving of notice, or both) constitute an Event of Default and (ii) no event that has had or could reasonably be expected to have a Material Adverse Effect has occurred and is continuing.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF BORROWER

Each Borrower represents and warrants that:

5.1. Corporate Status. Each Borrower is a corporation duly organized, legally existing and in good standing under the laws of the State of Delaware, and is duly qualified as a foreign corporation in all jurisdictions in which the nature of its business or location of its properties require such qualifications and where the failure to be qualified could reasonably be expected to have a Material Adverse Effect. Each Borrower's present name, former names (if any), locations, place of formation, tax identification number, organizational identification number and other information are correctly set forth in Exhibit C, as may be updated by Borrower in a written notice (including any Compliance Certificate) provided to Lender after the Closing Date.

5.2. Collateral. Each Borrower owns the Collateral free of all Liens, except for Permitted Liens. Each Borrower has the power and authority to grant to Lender a Lien in the Collateral as security for the Secured Obligations.

5.3. Consents. Each Borrower's execution, delivery and performance of the Notes, this Agreement and all other Loan Documents, and Lead Borrower's execution of the Warrant, (i) have been duly authorized by all necessary corporate action of such Borrower, (ii) will not result in the creation or imposition of any Lien upon the Collateral, other than Permitted Liens and the Liens created by this Agreement and the other Loan Documents, (iii) do not violate any provisions of such Borrower's Certificate or Articles of Incorporation (as applicable), bylaws, or any, law, regulation, order, injunction, judgment, decree or writ to which such Borrower is subject and (iv) except as described on Schedule 5.3, do not violate any contract or agreement or require the consent or approval of any other Person. The individual or individuals executing the Loan Documents and the Warrant are duly authorized to do so.

5.4. Material Adverse Effect. Other than as set forth in the Schedules to this Agreement as in effect on the Closing Date, expressly excluding any changes to or escalation in status of the items listed on such Schedules occurring after the Closing Date and, no event that has had or could reasonably be expected to have a Material Adverse Effect has occurred and is continuing, and Borrowers are not aware of any event likely to occur that is reasonably expected to result in a Material Adverse Effect.

5.5. Actions Before Governmental Authorities. Except as described on Schedule 5.5, there are no actions, suits or proceedings at law or in equity or by or before any Governmental Authority now pending or, to the knowledge of any Borrower, threatened against or affecting any Borrower or its property (i) which would adversely affect the validity or enforceability of any Loan Document or the Lender's rights under any Loan Document, or (ii) as to which there is a reasonable possibility of an adverse determination and which, if adversely determined, would reasonably be expected to, individually or in the aggregate, result in a Material Adverse Effect.

5.6. Laws. No Borrower is in violation of any law, rule or regulation, or in default with respect to any judgment, writ, injunction or decree of any Governmental Authority, where such violation or default is reasonably expected to result in a Material Adverse Effect. No Borrower is in default in any manner under any provision of any agreement or instrument evidencing indebtedness, or any other material agreement to which it is a party or by which it is bound.

5.7. Information Correct. No information, report, Advance Request, financial statement, exhibit or schedule furnished, by or on behalf of Borrowers to Lender in connection with any Loan Document or included therein or delivered pursuant thereto contained, contains or will contain any material misstatement of fact or omitted, omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were, are or will be made, not misleading at the time such statement was made or deemed made.

5.8. Tax Matters. Except as described on Schedule 5.8, (a) each Borrower has filed all federal, state and local tax returns that it is required to file, (b) each Borrower has duly paid or fully reserved for all taxes or installments thereof (including any interest or penalties) as and when due, which have or may become due pursuant to such returns, and (c) each Borrower has paid or fully reserved for any tax assessment received by such Borrower for the three (3) years preceding the Closing Date, if any (including any taxes being contested in good faith and by appropriate proceedings).

5.9. Intellectual Property Claims. Each Borrower is the sole owner of, or otherwise has the right to use, the Intellectual Property owned or held by such Borrower. Except as described on Schedule 5.9, (i) each of the material Copyrights, Trademarks and Patents is valid and enforceable, (ii) no material part of the Intellectual Property has been judged invalid or unenforceable, in whole or in part, and (iii) no claim has been made to such Borrower that any material part of the Intellectual Property violates the rights of any third party. Exhibit D is a true, correct and complete list of each of Borrower's Patents, registered Trademarks, registered Copyrights, and material agreements under which each Borrower licenses Intellectual Property from third parties (other than shrink-wrap software licenses), together with application or registration numbers, as applicable, owned by any Borrower, in each case as of the Closing Date. No Borrower is in material breach of, nor has any Borrower failed to perform any material obligations under, any of the foregoing contracts, licenses or agreements and, to each Borrower's knowledge, no third party to any such contract, license or agreement is in material breach thereof or has failed to perform any material obligations thereunder.

5.10. Intellectual Property. Except as described on Schedule 5.10, each Borrower has, or in the case of any proposed business, will have, all material rights with respect to Intellectual Property necessary in the operation or conduct of Borrower's business as currently conducted and proposed to be conducted by such Borrower. Without limiting the generality of the foregoing, and in the case of Licenses, except for restrictions that are unenforceable under Division 9 of the UCC, each Borrower has the right, to the extent required to operate Borrower's business, to freely transfer, license or assign Intellectual Property without condition, restriction or payment of any kind (other than license payments in the ordinary course of business) to any third party, and each Borrower owns or has the right to use, pursuant to valid licenses, all software development tools, library functions, compilers and all other third-party software and other items that are used in the design, development, promotion, sale, license, manufacture, import, export, use or distribution of Borrower Products.

5.11. Borrower Products. Except as described on Schedule 5.11; (a) no Intellectual Property owned by any Borrower or Borrower Product has been or is subject to any actual or, to the knowledge of any Borrower, threatened litigation, proceeding (including any proceeding in the United States Patent and Trademark Office or any corresponding foreign office or agency) or outstanding decree, order, judgment, settlement agreement or stipulation that restricts in any manner any Borrower's use, transfer or licensing thereof or that may affect the validity, use or enforceability thereof; (b) there is no decree, order, judgment, agreement, stipulation, arbitral award or other provision entered into in connection with any litigation or proceeding that obligates any Borrower to grant licenses or ownership interest in any future Intellectual Property related to the operation or conduct of the business of any Borrower or Borrower Products; (c) no Borrower has received any written notice or claim, or, to the knowledge of Borrower, oral notice or claim, challenging or questioning any Borrower's ownership in any Intellectual Property (or written notice of any claim challenging or questioning the ownership in any licensed Intellectual Property of the owner thereof) or suggesting that any third party has any claim of legal or beneficial ownership with respect thereto nor, to any Borrower's knowledge, is there a reasonable basis for any such claim; and (d) no Borrower's use of its Intellectual Property nor the production and sale of Borrower Products infringes the Intellectual Property or other rights of others.

5.12. Financial Accounts. Exhibit E, as may be updated by any Borrower in a written notice provided to Lender after the Closing Date, is a true, correct and complete list of (a) all banks and other financial institutions at which each Borrower or any US Subsidiary maintains Deposit Accounts and (b) all institutions at which each Borrower or any US Subsidiary maintains an account holding Investment Property, and such exhibit correctly identifies the name, address and telephone number of each bank or other institution, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

5.13. Employee Loans. No Borrower has any outstanding loans to any employee, officer or director of such Borrower nor has any Borrower guaranteed the payment of any loan made to an employee, officer or director of any Borrower by a third party.

5.14. Capitalization and Subsidiaries. Each Borrower's capitalization as of the Closing Date is set forth on Schedule 5.14 annexed hereto. No Borrower owns any stock, partnership interest or other equity securities of any Person, except for Permitted Investments. Attached as Schedule 5.14, is a true, correct and complete list of each Subsidiary. Such Schedule 5.14 may be updated by any Borrower in a written notice provided after the Closing Date, provided that no such update shall be deemed a waiver of any Event of Default resulting from matters disclosed therein.

SECTION 6. INSURANCE; INDEMNIFICATION

6.1. Coverage. Each Borrower shall cause to be carried and maintained commercial general liability insurance, on an occurrence form, against risks customarily insured against in such Borrower's line of business. Such risks shall include the risks of bodily injury, including death, property damage, personal injury, advertising injury, and contractual liability per the terms of the indemnification agreement found in Section 6.3. Borrowers must maintain a minimum of One Million Dollars ($1,000,000.00) of commercial general liability insurance for each occurrence. Borrowers have and agree to maintain a minimum of Ten Million Dollars ($10,000,000) of directors and officers' insurance for each occurrence, and Ten Million Dollars ($10,000,000) in the aggregate. So long as there are any Secured Obligations outstanding, each Borrower shall also cause to be carried and maintained insurance upon the Collateral, insuring against all risks of physical loss or damage howsoever caused, in an amount not less than the full replacement cost of the Collateral, provided that such insurance may be subject to standard exceptions and deductibles.

6.2. Certificates. Each Borrower shall deliver to Lender certificates of insurance that evidence such Borrower's compliance with its insurance obligations in Section 6.1 and the obligations contained in this Section 6.2. Each Borrower's insurance certificate shall state Lender is an additional insured for commercial general liability, an additional insured and a loss payee for all risk property damage insurance, subject to the insurer's approval, a loss payee for fidelity insurance, and a loss payee for property insurance and additional insured for liability insurance for any future insurance that Borrowers may acquire from such insurer. Attached to the certificates of insurance will be additional insured endorsements for liability and lender's loss payable endorsements for all risk property damage insurance and fidelity. All certificates of insurance will provide for a minimum of thirty (30) days advance written notice to Lender of cancellation or any other change adverse to Lender's interests. Any failure of Lender to scrutinize such insurance certificates for compliance is not a waiver of any of Lender's rights, all of which are reserved.

6.3. Indemnity. Each Borrower agrees to indemnify and hold Lender and its officers, directors, employees, agents, in-house attorneys, representatives and shareholders harmless from and against any and all claims, costs, expenses, damages and liabilities (including such claims, costs, expenses, damages and liabilities based on liability in tort, including strict liability in tort), including reasonable attorneys' fees and disbursements and other costs of investigation or defense (including those incurred upon any appeal), that may be instituted or asserted against or incurred by Lender or any such Person as the result of credit having been extended, suspended or terminated under this Agreement and the other Loan Documents or the administration of such credit, or in connection with or arising out of the transactions contemplated hereunder and thereunder, or the handling of Collateral of Borrowers, or any actions or failures to act in connection therewith, or arising out of the disposition or utilization of the Collateral, or Lender's relying on any instruction of Lead Borrower, or any other actions taken or not taken by Lender hereunder or under any other Loan Document excluding in all cases claims resulting solely from Lender's gross negligence or willful misconduct. Each Borrower agrees to pay, and to save Lender harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all excise, sales or other similar taxes (excluding taxes imposed on or measured by the net income of Lender) that may be payable or determined to be payable with respect to any of the Collateral or this Agreement.

SECTION 7. COVENANTS OF BORROWER

Each Borrower agrees as follows:

7.1. Financial Reports. Each Borrower shall furnish to Lender the Compliance Certificate in the form of Exhibit F monthly within 30 days after the end of each month and the financial statements listed hereinafter (the "Financial Statements"):

(a) as soon as practicable (and in any event within 30 days) after the end of each month, unaudited interim financial statements as of the end of such month (prepared on a consolidated and consolidating basis, if applicable), including balance sheet and related statements of income and cash flows accompanied by a report detailing any material contingencies (including the commencement of any material litigation by or against any Borrower) or any other occurrence that would reasonably be expected to have a Material Adverse Effect, all certified by Holdings' Chief Executive Officer or Chief Financial Officer to the effect that they have been prepared in accordance with GAAP, except (i) for the absence of footnotes, (ii) that they are subject to normal year end adjustments, and (iii) they do not contain certain non-cash items that are customarily included in quarterly and annual financial statements;

(b) as soon as practicable (and in any event within 45 days) after the end of each calendar quarter, unaudited interim financial statements as of the end of such calendar quarter (prepared on a consolidated and consolidating basis, if applicable), including balance sheet and related statements of income and cash flows accompanied by a report detailing any material contingencies (including the commencement of any material litigation by or against any Borrower) or any other occurrence that would reasonably be expected to have a Material Adverse Effect, all certified by Holdings' Chief Executive Officer or Chief Financial Officer to the effect that they have been prepared in accordance with GAAP, except (i) for the absence of footnotes, and (ii) that they are subject to normal year end adjustments;

(c) as soon as practicable (and in any event within 90 days) after the end of each fiscal year, (i) unqualified audited financial statements as of the end of such year (prepared on a consolidated and consolidating basis, if applicable), including balance sheet and related statements of income and cash flows, and setting forth in comparative form the corresponding figures for the preceding fiscal year, certified by a firm of independent certified public accountants selected by Borrowers and reasonably acceptable to Lender, accompanied by any management report from such accountants;

(d) promptly after the sending or filing thereof, as the case may be, copies of any proxy statements, financial statements or reports that any Borrower has made available to holders of its Preferred Stock and copies of any regular, periodic and special reports or registration statements that any Borrower files with the Securities and Exchange Commission or any governmental authority that may be substituted therefor, or any national securities exchange; and

(e) budgets, operating plans and other financial information reasonably requested by Lender.

The executed Compliance Certificate may be sent via facsimile to Lender at (617) 261-6551 or via e-mail to bjadot@herculestech.com. All Financial Statements required to be delivered pursuant to clauses (a), (b) and (c) shall be sent via e-mail to financialstatements@herculestech.com with a copy to bjadot@herculestech.com provided, that if e-mail is not available or sending such Financial Statements via e-mail is not possible, they shall be sent via facsimile to Lender at: (617) 261-6551, attention Chief Credit Officer, reference Diomed Holdings, Inc.

7.2. Management Rights. Each Borrower shall permit any representative that Lender authorizes, including its attorneys and accountants, to inspect the Collateral, and examine and make copies and abstracts of the books of account and records of such Borrower at reasonable times and upon reasonable notice during normal business hours. In addition, any such representative shall upon reasonable notice have the right to meet with management and officers of each Borrower to discuss such books of account and records. In addition, Lender shall be entitled at reasonable times and intervals to consult with and advise the management and officers of each Borrower concerning significant business issues affecting such Borrower. Such consultations shall not unreasonably interfere with such Borrower's business operations. The parties intend that the rights granted Lender shall constitute "management rights" within the meaning of 29 C.F.R Section 2510.3-101(d)(3)(ii), but that any advice, recommendations or participation by Lender with respect to any business issues shall not be deemed to give Lender, nor be deemed an exercise by Lender of, control over any Borrower's management or policies.

7.3. Further Assurances. Each Borrower shall from time to time execute, deliver and file, alone or with Lender, any financing statements, security agreements, collateral assignments, notices, control agreements, or other documents to perfect or give the highest priority to Lender's Lien on the Collateral. Each Borrower shall from time to time procure any instruments or documents as may be requested by Lender, and take all further action that may be necessary or desirable, or that Lender may reasonably request, to perfect and protect the Liens granted hereby and thereby. In addition, and for such purposes only, each Borrower hereby authorizes Lender to execute and deliver on behalf of such Borrower and to file such financing statements, collateral assignments, notices, control agreements, security agreements and other documents without the signature of such Borrower either in Lender's name or in the name of Lender as agent and attorney-in-fact for such Borrower. Each Borrower shall protect and defend such Borrower's title to the Collateral and Lender's Lien thereon against all Persons claiming any interest adverse to any Borrower or Lender other than Permitted Liens.

7.4. Compromise of Agreements. With respect to Accounts with a combined value in excess of twenty percent (20%) of all of any individual Borrower's Accounts then outstanding (other than Accounts constituting proceeds of the 777 Patent Litigation), no Borrower shall (a) grant any material extension of the time of payment thereof, (b) to any material extent, compromise, compound or settle the same for less than the full amount thereof, (c) release, wholly or partly, any Person liable for the payment thereof, or (d) allow any credit or discount whatsoever thereon other than trade discounts granted by such Borrower in the ordinary course of business of such Borrower. Nothing in this Section 7.4 shall be deemed to prevent Borrowers from compromising or settling any actions with respect to the 777 Patent Litigation, provided that no Event of Default has occurred and is continuing and provided further that such actions could not reasonably be expected to result in a Material Adverse Effect.

7.5. Indebtedness. No Borrower shall create, incur, assume, guarantee or be or remain liable with respect to any Indebtedness, or permit any US Subsidiary so to do, other than Permitted Indebtedness, or prepay any Indebtedness or take any actions which impose on any Borrower an obligation to prepay any Indebtedness, or make any cash payment with respect to the Convertible Debentures, except for (i) the conversion of Indebtedness into equity securities and the payment of cash in lieu of and solely for fractional shares in connection with such conversion, (ii) so long as no Event of Default pursuant to Sections 10.1 or 10.6 shall have occurred and be continuing or prior to the acceleration of the Secured Obligations pursuant to Section 11.1, the Borrowers may make any payment of interest due and owing to the Convertible Noteholders in respect of the Convertible Debentures. No Borrower shall be permitted to prepay or repay the obligations owing under the Convertible Debentures without the written consent of the Lender.

7.6. Collateral. Each Borrower shall at all times keep the Collateral and all other property and assets used in such Borrower's business or in which such Borrower now or hereafter holds any interest free and clear from any legal process or Liens whatsoever (except for (a) Permitted Liens, and (b) those described on Schedule 7.6), and shall give Lender prompt written notice of any legal process affecting the Collateral, such other property and assets, or any Liens thereon. Each Borrower shall cause its US Subsidiaries to protect and defend such US Subsidiary's title to its assets from and against all Persons claiming any interest adverse to such US Subsidiary, and each Borrower shall cause its Subsidiaries at all times to keep such Subsidiary's property and assets free and clear from any legal process or Liens whatsoever (except for (a) Permitted Liens, and (b) those described on Schedule 7.6), and shall give Lender prompt written notice of any legal process affecting such Subsidiary's assets.

7.7. Investments. No Borrower shall directly or indirectly acquire or own, or make any Investment in or to any Person, or permit any of its US Subsidiaries so to do, other than Permitted Investments.

7.8. Distributions. No Borrower shall nor shall any Borrower allow any Subsidiary to, (a) repurchase or redeem any class of stock or other equity interest other than pursuant to employee, director or consultant repurchase plans or other similar agreements, provided, however, in each case the repurchase or redemption price does not exceed the original consideration paid for such stock or equity interest, provided, further, that for purposes of the foregoing, neither the exercise of common stock purchase warrants or options to purchase common stock on a "cashless exercise" basis nor the conversion or exchange for common stock of the Convertible Debentures, or shares of Preferred Stock in accordance with their terms shall not constitute a repurchase or redemption, or (b) declare or pay any cash dividend or make a cash distribution on any class of stock or other equity interest, except that a Subsidiary may pay dividends or make distributions to Borrower, or (c) lend money to any employees, officers or directors or guarantee the payment of any such loans granted by a third party in excess of $100,000 in the aggregate or (d) waive, release or forgive any indebtedness owed by any employees, officers or directors in excess of $100,000 in the aggregate.

7.9. Transfers. Except for Permitted Transfers, no Borrower nor any US Subsidiary shall voluntarily or involuntarily transfer, sell, lease, license, lend or in any other manner convey any equitable, beneficial or legal interest in any material portion of their assets.

7.10. Taxes. Each Borrower and its respective US Subsidiaries shall pay when due all taxes, fees or other charges of any nature whatsoever (together with any related interest or penalties) now or hereafter imposed or assessed against such Borrower, Lender or the Collateral or upon such Borrower's ownership, possession, use, operation or disposition thereof or upon Borrower's rents, receipts or earnings arising therefrom. Each Borrower shall file on or before the due date therefor all personal property tax returns in respect of the Collateral. Notwithstanding the foregoing, each Borrower may contest, in good faith and by appropriate proceedings, taxes for which such Borrower maintains adequate reserves therefor in accordance with GAAP.

7.11. Corporate Changes. Neither any Borrower nor any Subsidiary shall change its corporate name, legal form or jurisdiction of formation without twenty (20) days' prior written notice to Lender. Neither any Borrower nor any Subsidiary shall relocate its chief executive office or its principal place of business unless: (i) it has provided prior written notice to Lender; and (ii) such relocation shall be within the continental United States. Neither any Borrower nor any Subsidiary shall relocate any item of Collateral (other than (w) sales of Inventory in the ordinary course of business, (x) relocations of Equipment having an aggregate value of up to $150,000 in any fiscal year, (y) transportation or relocation of Inventory to the extent that such Inventory is in the custody of Borrowers' sales representatives and is necessary for the purposes of demonstrating Borrowers' products, and (z) relocations of Collateral from a location described on Exhibit C to another location described on Exhibit C) unless (1) it has provided prompt written notice to Lender, (2) such relocation is within the continental United States, and (3) if such relocation is to a third party bailee, it has delivered a bailee agreement in form and substance reasonably acceptable to the Lender.

7.12. New Subsidiaries. Each Borrower shall notify Lender of each Subsidiary formed subsequent to the Closing Date and, if requested in writing by Lender, within 15 days of such request, shall cause any US Subsidiary become an Additional Borrower by execution and delivery to Lender of a Joinder Agreement together with a legal opinion in form and substance satisfactory to Lender and such other documents requested by Lender.

7.13. Modification of Certain Agreements. Each Borrower will not, and will not permit any of its Subsidiaries to, consent to any amendment, supplement, waiver or other modification of, such Borrower's or such Subsidiary's certificate of incorporation or formation, by-laws, limited liability company agreement, partnership agreement or such other applicable governing documents.

7.14. Compliance with Laws. Each Borrower shall and shall cause each of its Subsidiaries to, comply with (a) the applicable laws and regulations wherever its business is conducted to the extent to which the non-compliance of such laws and regulations could not reasonably be expected to result in a Material Adverse Effect, (b) the provisions of its organizational documents, (c) all agreements and instruments by which it and any of its properties may be bound to the extent to which the non-compliance of such laws and regulations could not reasonably be expected to result in a Material Adverse Effect and (d) all applicable decrees, orders and judgments.

7.15. Payments. The Lender will initiate debit entries to the Borrower's account as authorized on the ACH Debit Authorization Agreement in the form of Exhibit H on each Payment Date of all periodic obligations payable to Lender under each Note or Advance.

7.16. Deposit Accounts. Neither any Borrower nor any US Subsidiary of any Borrower shall maintain any Deposit Accounts, or accounts holding Investment Property, except with respect to which Lender has an Account Control Agreement unless otherwise permitted pursuant to Section 3.3(b).

7.17. Additional Fees. Borrowers shall pay to Lender the following additional fees:

(a) a Closing Success Fee (which amount may be deducted from the initial Advance);

(b) on the earlier of (i) June 30, 2008, or (ii) any prepayment in full of the Secured Obligations, whether by voluntary prepayment, accelerated termination or otherwise, a fee in the amount of $900,000; and

(c) in the event of a Change in Control, 1% of the Aggregate Gross Consideration payable in connection with such Change in Control.

7.18. Issuance of Equity. Neither any Borrower nor any US Subsidiary of any Borrower shall issue any class of stock or other equity interest for consideration that is less than $1.15 per share, provided that the conversion price of the Convertible Debentures and the Warrant may be equal to $0.70 per share of Common Stock and Holdings may issue additional shares to the holders of Holdings Preferred Stock such that upon conversion of the Holdings Preferred Stock, such holders would receive, *in toto*, the number of shares of Common Stock that would have been issued to the holder had the exchange rate of the Holdings Preferred Stock been $0.70 per share.

7.19. Business of Subsidiaries. Notwithstanding anything herein to the contrary, none of the U.S. Subsidiaries other than Holdings and the Lead Borrower shall engage in any trade or business, or own any assets (other than the stock of their Subsidiaries, leases for retail locations or intellectual property with a de minimis value) or incur any Indebtedness (other than the Secured Obligations).

7.20. Treasury Functions. All cash management and treasury functions for any Subsidiary not organized in a jurisdiction of the United States shall be maintained by the Borrowers, provided that Diomed Limited may maintain its existing line of credit with Barclays Bank.

SECTION 8. RIGHT TO PURCHASE STOCK

8.1. Lender or its assignee or nominee shall have the right, in its discretion, to purchase shares of Holdings' securities having an aggregate purchase price of up to $1,000,000 in the Next Event on the same terms and conditions afforded to other investors in the Next Event.

SECTION 9. CONDITIONS SUBSEQUENT

9.1. 777 Patent Litigation. The Borrowers will, within fourteen (14) days of the Closing Date, have taken all actions necessary to perfect the Lender's security interest in the proceeds of the Judgment and shall take such further actions in connection with the Judgment as may be requested by Lender.

SECTION 10. EVENTS OF DEFAULT

The occurrence of any one or more of the following events shall be an Event of Default:

10.1. Payments. Any Borrower fails to pay any amount due under this Agreement, the Notes or any of the other Loan Documents on the due date including, without limitation, the Warrant Price Fee or any fee set forth in Section 7.17; or

10.2. Covenants. Any Borrower breaches or defaults in the performance of any covenant or Secured Obligation under this Agreement, the Notes, or any of the other Loan Documents, and (a) with respect to a default under any covenant under this Agreement (other than under Section 6.1, 6.2, 7.5 - 7.9, 7.15 - 7.18 or 9.1) such default continues for more than ten (10) days after the earlier of the date on which (i) Lender has given notice of such default to Lead Borrower and (ii) any Borrower has actual knowledge of such default or (b) with respect to a default under any of Section 6.1, 6.2, 7.5 - 7.9, 7.15 - 7.18 or 9.1, the occurrence of such default; or

10.3. Material Adverse Effect. A circumstance has occurred that would reasonably be expected to have a Material Adverse Effect; or

10.4. Other Loan Documents. The occurrence of any default under the Warrant, any Loan Document, or any other agreement between any Borrower and Lender and such default continues for more than ten (10) days after the earlier of (a) Lender has given notice of such default to Lead Borrower, or (b) any Borrower has actual knowledge of such default; or

10.5. Representations. Any representation or warranty made by any Borrower in any Loan Document or in the Warrant shall have been false or misleading in any material respect; or

10.6. Insolvency. Any Borrower (A) (i) shall make an assignment for the benefit of creditors; or (ii) shall be unable to pay its debts as they become due, or be unable to pay or perform under the Loan Documents; or (iii) shall file a voluntary petition in bankruptcy; or (iv) shall file any petition, answer, or document seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation pertinent to such circumstances; or (v) shall seek or consent to or acquiesce in the appointment of any trustee, receiver, or liquidator of such Borrower or of all or any substantial part (i.e., 33-1/3% or more) of the assets or property of such Borrower; or (vi) shall cease operations of its business as its business has normally been conducted, or terminate substantially all of its employees, or becomes insolvent; or (vii) such Borrower or its directors or majority shareholders shall take any action initiating any of the foregoing actions described in clauses (i) through (vi); or (B) either (i) thirty (30) days shall have expired after the commencement of an involuntary action against any Borrower seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, without such action being dismissed or all orders or proceedings thereunder affecting the operations or the business of any Borrower being stayed; or (ii) a stay of any such order or proceedings shall thereafter be set aside and the action setting it aside shall not be timely appealed; or (iii) any Borrower shall file any answer admitting or not contesting the material allegations of a petition filed against such Borrower in any such proceedings; or (iv) the court in which such proceedings are pending shall enter a decree or order granting the relief sought in any such proceedings; or (v) thirty (30) days shall have expired after the appointment, without the consent or acquiescence of any Borrower, of any trustee, receiver or liquidator of such Borrower or of all or any substantial part of the properties of such Borrower without such appointment being vacated; or

10.7. Attachments; Judgments. Any portion of any Borrower's assets is attached or seized, or a levy is filed against any such assets, or a judgment or judgments is/are entered for the payment of money, individually or in the aggregate, of at least $150,000, or any Borrower is enjoined or in any way prevented by court order from conducting any part of its business; or

10.8. Subordination of Convertible Debenture Security. (a) The occurrence of any default under the Convertible Debentures, subject to any grace or cure period in relation thereto, or (b) any holder of a Convertible Debenture shall have repudiated or contested the validity or enforceability of the Intercreditor Agreement between the Lender and each holder of the Convertible Debentures, dated as of the date hereof, or shall have otherwise sought the termination of such Intercreditor Agreement.

10.9. Other Obligations. Either the occurrence of any default under any written agreement or obligation of any Borrower (other than accounts payable subject to ordinary course invoices) involving any Indebtedness in excess of $100,000, or the occurrence of any default under any agreement or obligation of any Borrower that could reasonably be expected to have a Material Adverse Effect; or

10.10. Change in Control. Any Borrower or any Subsidiary shall suffer a Change in Control.

SECTION 11. REMEDIES

11.1. General. Upon and during the continuance of any one or more Events of Default, (i) Lender may, at its option, accelerate and demand payment of all or any part of the Secured Obligations and declare them to be immediately due and payable (provided, that upon the occurrence of an Event of Default of the type described in Section 10.6, the Notes and all of the Secured Obligations shall automatically be accelerated and made due and payable, in each case without any further notice or act), and (ii) Lender may notify any of Borrowers' account debtors to make payment directly to Lender, compromise in a commercially reasonable manner the amount of any such account on any Borrower's behalf and endorse Lender's name without recourse on any such payment for deposit directly to Lender's account. Lender may exercise all rights and remedies with respect to the Collateral under the Loan Documents or otherwise available to it under the UCC and other applicable law, including the right to release, hold, sell, lease, liquidate, collect, realize upon, or otherwise dispose of all or any part of the Collateral and the right to occupy, utilize, process and commingle the Collateral. All Lender's rights and remedies shall be cumulative and not exclusive.

11.2. Collection; Foreclosure. Upon the occurrence and during the continuance of any Event of Default, Lender may, at any time or from time to time, apply, collect, liquidate, sell in one or more sales, lease or otherwise dispose of, any or all of the Collateral, in its then condition or following any commercially reasonable preparation or processing, in such order as Lender may elect. Any such sale may be made either at public or private sale at its place of business or elsewhere. Each Borrower agrees that any such public or private sale may occur upon ten (10) calendar days' prior written notice to Lead Borrower. Lender may require any Borrower to assemble the Collateral and make it available to Lender at a place designated by Lender that is reasonably convenient to Lender and such Borrower. The proceeds of any sale, disposition or other realization upon all or any part of the Collateral shall be applied by Lender in the following order of priorities:

First, to Lender in an amount sufficient to pay in full Lender's costs and professionals' and advisors' fees and expenses as described in Section 12.11;

Second, to Lender in an amount equal to the then unpaid amount of the Secured Obligations (including principal, interest, and the Default Rate interest), in such order and priority as Lender may choose in its sole discretion; and

Finally, after the full, final, and indefeasible payment in Cash of all of the Secured Obligations, to any creditor holding a junior Lien on the Collateral, or to Lead Borrower or its representatives or as a court of competent jurisdiction may direct.

Lender shall be deemed to have acted reasonably in the custody, preservation and disposition of any of the Collateral if it complies with the obligations of a secured party under the UCC.

11.3. No Waiver. Lender shall be under no obligation to marshal any of the Collateral for the benefit of any Borrower or any other Person, and each Borrower expressly waives all rights, if any, to require Lender to marshal any Collateral.

11.4. Cumulative Remedies. The rights, powers and remedies of Lender hereunder shall be in addition to all rights, powers and remedies given by statute or rule of law and are cumulative. The exercise of any one or more of the rights, powers and remedies provided herein shall not be construed as a waiver of or election of remedies with respect to any other rights, powers and remedies of Lender.

SECTION 12. MISCELLANEOUS

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

12.2. Notice. Except as otherwise provided herein, any notice, demand, request, consent, approval, declaration, service of process or other communication (including the delivery of Financial Statements) that is required, contemplated, or permitted under the Loan Documents or with respect to the subject matter hereof shall be in writing, and shall be deemed to have been validly served, given, delivered, and received upon the earlier of: (i) the day of transmission by facsimile or hand delivery or delivery by an overnight express service or overnight mail delivery service; or (ii) the third calendar day after deposit in the United States mails, with proper first class postage prepaid, in each case addressed to the party to be notified as follows:

(a) If to Lender:

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
Legal Department
Attention: Chief Legal Officer and R. Bryan Jadot
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301
Facsimile: 650- 473-9194
Telephone: 650-289-3068

(b) If to any Borrower:

DIOMED HOLDINGS, INC.
1 Dundee Park
Andover, MA 01810
Attention: David B. Swank
Facsimile: (978) 475-8488
Telephone: (978) 824-1823

Copy to:

McGuire Woods LLP
1345 Avenue of the Americas
7th Floor
New York, NY 10105
Attention: William A. Newman, Esq.
Facsimile: (212) 548-2170
Telephone: (212) 548-2660

or to such other address as each party may designate for itself by like notice.

12.3. Entire Agreement; Amendments. This Agreement, the Notes, and the other Loan Documents constitute the entire agreement and understanding of the parties hereto in respect of the subject matter hereof and thereof, and supersede and replace in their entirety any prior proposals, term sheets, letters, negotiations or other documents or agreements, whether written or oral, with respect to the subject matter hereof or thereof. None of the terms of this Agreement, the Notes or any of the other Loan Documents may be amended except by an instrument executed by each of the parties hereto.

12.4. No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

12.5. No Waiver. The powers conferred upon Lender by this Agreement are solely to protect its rights hereunder and under the other Loan Documents and its interest in the Collateral and shall not impose any duty upon Lender to exercise any such powers. No omission or delay by Lender at any time to enforce any right or remedy reserved to it, or to require performance of any of the terms, covenants or provisions hereof by any Borrower at any time designated, shall be a waiver of any such right or remedy to which Lender is entitled, nor shall it in any way affect the right of Lender to enforce such provisions thereafter.

12.6. Survival. All agreements, representations and warranties contained in this Agreement, the Notes and the other Loan Documents or in any document delivered pursuant hereto or thereto shall be for the benefit of Lender and shall survive the execution and delivery of this Agreement and the expiration or other termination of this Agreement.

12.7. Successors and Assigns. The provisions of this Agreement and the other Loan Documents shall inure to the benefit of and be binding on each Borrower and its permitted assigns (if any). No Borrower shall assign its obligations under this Agreement, the Notes or any of the other Loan Documents without Lender's express prior written consent, and any such attempted assignment shall be void and of no effect. Lender may assign, transfer, or endorse its rights hereunder and under the other Loan Documents without prior notice to any Borrower, and all of such rights shall inure to the benefit of Lender's successors and assigns.

12.8. Governing Law. This Agreement, the Notes and the other Loan Documents have been negotiated and delivered to Lender in the State of California, and shall have been accepted by Lender in the State of California. Payment to Lender by Borrower of the Secured Obligations is due in the State of California. This Agreement, the Notes and the other Loan Documents shall be governed by, and construed and enforced in accordance with, the laws of the State of California, excluding conflict of laws principles that would cause the application of laws of any other jurisdiction.

12.9. Consent to Jurisdiction and Venue. All judicial proceedings (to the extent that the reference requirement of Section 12.10 is not applicable) arising in or under or related to this Agreement, the Notes or any of the other Loan Documents may be brought in any state or federal court located in the State of California. By execution and delivery of this Agreement, each party hereto generally and unconditionally: (a) consents to nonexclusive personal jurisdiction in Santa Clara County, State of California; (b) waives any objection as to jurisdiction or venue in Santa Clara County, State of California; (c) agrees not to assert any defense based on lack of jurisdiction or venue in the aforesaid courts; and (d) irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement, the Notes or the other Loan Documents. Service of process on any party hereto in any action arising out of or relating to this Agreement shall be effective if given in any manner permitted by California law and shall be deemed effective and received as set forth in Section 12.3. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of either party to bring proceedings in the courts of any other jurisdiction.

12.10. Mutual Waiver of Jury Trial / Judicial Reference.

(a) Because disputes arising in connection with complex financial transactions are most quickly and economically resolved by an experienced and expert person and the parties wish applicable state and federal laws to apply (rather than arbitration rules), the parties desire that their disputes be resolved by a judge applying such applicable laws. EACH BORROWER AND LENDER SPECIFICALLY WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, CROSS-CLAIM, COUNTERCLAIM, THIRD PARTY CLAIM OR ANY OTHER CLAIM (COLLECTIVELY, "CLAIMS") ASSERTED BY SUCH BORROWER AGAINST LENDER OR ITS ASSIGNEE OR BY LENDER OR ITS ASSIGNEE AGAINST SUCH BORROWER. This waiver extends to all such Claims, including Claims that involve Persons other than any Borrower and Lender; Claims that arise out of or are in any way connected to the relationship between any Borrower and Lender; and any Claims for damages, breach of contract, tort, specific performance, or any equitable or legal relief of any kind, arising out of this Agreement, any other Loan Document.

(b) If the waiver of jury trial set forth in Section 12.10(a) is ineffective or unenforceable, the parties agree that all Claims shall be resolved by reference to a private judge sitting without a jury, pursuant to Code of Civil Procedure Section 638, before a mutually acceptable referee or, if the parties cannot agree, a referee selected by the Presiding Judge of the Santa Clara County, California. Such proceeding shall be conducted in Santa Clara County, California, with California rules of evidence and discovery applicable to such proceeding.

(c) In the event Claims are to be resolved by judicial reference, either party may seek from a court identified in Section 12.10, any prejudgment order, writ or other relief and have such prejudgment order, writ or other relief enforced to the fullest extent permitted by law notwithstanding that all Claims are otherwise subject to resolution by judicial reference.

12.11. Professional Fees. Each Borrower promises to pay Lender's fees and expenses necessary to finalize the loan documentation, including but not limited to reasonable attorneys fees, UCC searches, filing costs, and other miscellaneous expenses. In addition, each Borrower promises to pay any and all reasonable attorneys' and other professionals' fees and expenses incurred by Lender after the Closing Date in connection with or related to: (a) the Loan; (b) the administration, collection, or enforcement of the Loan; (c) the amendment or modification of the Loan Documents; (d) any waiver, consent, release, or termination under the Loan Documents; (e) the protection, preservation, sale, lease, liquidation, or disposition of Collateral or the exercise of remedies with respect to the Collateral; (f) any legal, litigation, administrative, arbitration, or out of court proceeding in connection with or related to any Borrower or the Collateral, and any appeal or review thereof; and (g) any bankruptcy, restructuring, reorganization, assignment for the benefit of creditors, workout, foreclosure, or other action related to any Borrower, the Collateral, the Loan Documents, including representing Lender in any adversary proceeding or contested matter commenced or continued by or on behalf of any Borrower's estate, and any appeal or review thereof.

12.12. Confidentiality. Lender acknowledges that certain items of Collateral and information provided to Lender by any Borrower are confidential and proprietary information of such Borrower, if and to the extent such information is marked as confidential by such Borrower at the time of disclosure (the "Confidential Information"). Accordingly, Lender agrees that any Confidential Information it may obtain in the course of acquiring, administering, or perfecting Lender's security interest in the Collateral shall not be disclosed to any other person or entity in any manner whatsoever, in whole or in part, without the prior written consent of the applicable Borrower, except that Lender may disclose any such information: (a) to its own directors, officers, employees, accountants, counsel and other professional advisors and to its affiliates if Lender in its sole discretion determines that any such party should have access to such information in connection with such party's responsibilities in connection with the Loan or this Agreement and, provided that such recipient of such Confidential Information either (i) agrees to be bound by the confidentiality provisions of this paragraph or (ii) is otherwise subject to confidentiality restrictions that reasonably protect against the disclosure of Confidential Information; (b) if such information is generally available to the public; (c) if required or appropriate in any report, statement or testimony submitted to any governmental authority having or claiming to have jurisdiction over Lender; (d) if required or appropriate in response to any summons or subpoena or in connection with any litigation, to the extent permitted or deemed advisable by Lender's counsel; (e) to comply with any legal requirement or law applicable to Lender; (f) to the extent reasonably necessary in connection with the exercise of any right or remedy under any Loan Document, including Lender's sale, lease, or other disposition of Collateral after default; (g) to any participant or assignee of Lender or any prospective participant or assignee; provided, that such participant or assignee or prospective participant or assignee agrees in writing to be bound by this Section prior to disclosure; or (h) otherwise with the prior consent of the applicable Borrower; provided, that any disclosure made in violation of this Agreement shall not affect the obligations of any Borrower or any of its affiliates or any guarantor under this Agreement or the other Loan Documents. Lender also acknowledges that Lead Borrower will be required pursuant to regulations promulgated by the Securities and Exchange Commission (the "SEC") to file copies of the Loan documents with the SEC.

12.13. Assignment of Rights. Each Borrower acknowledges and understands that Lender may sell and assign all or part of its interest hereunder and under the Note(s) and Loan Documents to any person or entity (an "Assignee"). After such assignment the term "Lender" as used in the Loan Documents shall mean and include such Assignee, and such Assignee shall be vested with all rights, powers and remedies of Lender hereunder with respect to the interest so assigned; but with respect to any such interest not so transferred, Lender shall retain all rights, powers and remedies hereby given. No such assignment by Lender shall relieve any Borrower of any of its obligations hereunder. Lender agrees that in the event of any transfer by it of the Note(s), it will endorse thereon a notation as to the portion of the principal of the Note(s), which shall have been paid at the time of such transfer and as to the date to which interest shall have been last paid thereon.

12.14. Revival of Secured Obligations. This Agreement and the Loan Documents shall remain in full force and effect and continue to be effective if any petition is filed by or against any Borrower for liquidation or reorganization, if any Borrower becomes insolvent or makes an assignment for the benefit of creditors, if a receiver or trustee is appointed for all or any significant part of any Borrower's assets, or if any payment or transfer of Collateral is recovered from Lender. The Loan Documents and the Secured Obligations and Collateral security shall continue to be effective, or shall be revived or reinstated, as the case may be, if at any time payment and performance of the Secured Obligations or any transfer of Collateral to Lender, or any part thereof is rescinded, avoided or avoidable, reduced in amount, or must otherwise be restored or returned by, or is recovered from, Lender or by any obligee of the Secured Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment, performance, or transfer of Collateral had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, avoided, avoidable, restored, returned, or recovered, the Loan Documents and the Secured Obligations shall be deemed, without any further action or documentation, to have been revived and reinstated except to the extent of the full, final, and indefeasible payment to Lender in Cash.

12.15. Counterparts. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so delivered shall be deemed an original, but all of which counterparts shall constitute but one and the same instrument.

12.16. No Third Party Beneficiaries. No provisions of the Loan Documents are intended, nor will be interpreted, to provide or create any third-party beneficiary rights or any other rights of any kind in any person other than Lender and Borrowers unless specifically provided otherwise herein, and, except as otherwise so provided, all provisions of the Loan Documents will be personal and solely between the Lender and the Borrowers.

12.17. Publicity. Lender may use any Borrower's name and logo, and include a brief description of the relationship between such Borrower and Lender, in Lender's marketing materials provided that Lender shall provide a copy of such materials to Borrower and Borrower has the right to object to such use in writing within three (3) Business Days (such approval not to be unreasonably withheld).

IN WITNESS WHEREOF, Borrower and Lender have duly executed and delivered this Loan and Security Agreement as of the day and year first above written.

BORROWER: DIOMED HOLDINGS, INC.

Signature: _____

Print Name: _____

Title: _____

BORROWER: DIOMED, INC.

Signature: _____

Print Name: _____

Title: _____

Accepted in Palo Alto, California:

LENDER:

HERCULES TECHNOLOGY GROWTH CAPITAL, INC., a Maryland corporation

By: _____

Name: K. Nicholas Martitsch

Its: Associate General Counsel

TABLE OF EXHIBITS AND SCHEDULES

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EXHIBIT A

ADVANCE REQUEST

To: Lender:
Hercules Technology Growth Capital, Inc.
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301
Facsimile: 650-473-9194
Attn:

Date: _____, 20___

[BORROWER] ("Borrower") hereby requests from Hercules Technology Growth Capital, Inc. ("Lender") an Advance in the amount of _____ Dollars ($_____) on _____, _____ (the "Advance Date") pursuant to the Loan and Security Agreement between, *inter alios*, Borrower and Lender (the "Agreement"). Capitalized words and other terms used but not otherwise defined herein are used with the same meanings as defined in the Agreement.

Please:

(a) Issue a check payable to Borrower _____

or

(b) Wire Funds to Borrower's account _____

Bank: _____

Address: _____

_____

ABA Number: _____

Account Number: _____

Account Name: _____

Borrower represents that the conditions precedent to the Advance set forth in the Agreement are satisfied and shall be satisfied upon the making of such Advance, including but not limited to: (i) that no event that has had or could reasonably be expected to have a Material Adverse Effect has occurred and is continuing; (ii) that the representations and warranties set forth in the Agreement and in the Warrant are and shall be true and correct in all material respects on and as of the Advance Date with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date; (iii) that Borrower is in compliance with all the terms and provisions set forth in each Loan Document on its part to be observed or performed; and (iv) that as of the Advance Date, no fact or condition exists that would (or would, with the passage of time, the giving of notice, or both) constitute an Event of Default under the Loan Documents. Borrower understands and acknowledges that Lender has the right to review the financial information supporting this representation and, based upon such review in its sole discretion, Lender may decline to fund the requested Advance.

Borrower hereby represents that Borrower's corporate status and locations have not changed since the date of the Agreement or, if the Attachment to this Advance Request is completed, are as set forth in the Attachment to this Advance Request.

Borrower agrees to notify Lender promptly before the funding of the Loan if any of the matters which have been represented above shall not be true and correct on the Borrowing Date and if Lender has received no such notice before the Advance Date then the statements set forth above shall be deemed to have been made and shall be deemed to be true and correct as of the Advance Date.

Executed as of _____, 20___.

BORROWER: [BORROWER]

SIGNATURE: _____

TITLE: Chief Executive Officer or Chief Financial Officer

PRINT NAME: _____

ATTACHMENT TO ADVANCE REQUEST

Dated: _____

Borrower hereby represents and warrants to Lender that Borrower's current name and organizational status is as follows:

Name:	[Borrower]
Type of organization:	Corporation
State of organization:	Delaware
Organization file number:	_____

Borrower hereby represents and warrants to Lender that the street addresses, cities, states and postal codes of its current locations are as follows:

EXHIBIT B

SECURED TERM PROMISSORY NOTE

$[__],000,000 Advance Date: _____ __, 20__

Maturity Date: July 1, 2010

FOR VALUE RECEIVED, DIOMED HOLDINGS, INC., a Delaware corporation, and DIOMED, INC., a Delaware corporation, each for itself and each Additional Borrower (collectively, the "Borrowers") hereby promises to pay jointly and severally to the order of Hercules Technology Growth Capital, Inc., a Maryland corporation, or the holder of this Note (the "Lender") at 400 Hamilton Avenue, Suite 310, Palo Alto, CA 94301 or such other place of payment as the holder of this Secured Term Promissory Note (this "Promissory Note") may specify from time to time in writing, in lawful money of the United States of America, the principal amount of [__] Million Dollars ($[__],000,000) or such other principal amount as Lender has advanced to Borrower, together with interest at a fixed rate equal to the prime rate as reported in the Wall Street Journal on the date of the Advance, and if not reported, then the prime rate next reported in the Wall Street Journal, plus 3.20% per annum based upon a year consisting of 360 days, with interest computed daily based on the actual number of days in each month.

This Promissory Note is the Note referred to in, and is executed and delivered in connection with, that certain Loan and Security Agreement dated September 28, 2007, by and among Borrowers and Lender (as the same may from time to time be amended, modified or supplemented in accordance with its terms, the "Loan Agreement"), and is entitled to the benefit and security of the Loan Agreement and the other Loan Documents (as defined in the Loan Agreement), to which reference is made for a statement of all of the terms and conditions thereof. All payments shall be made in accordance with the Loan Agreement. All terms defined in the Loan Agreement shall have the same definitions when used herein, unless otherwise defined herein. An Event of Default under the Loan Agreement shall constitute a default under this Promissory Note. Reference to the Loan Agreement shall not affect or impair the absolute and unconditional obligation of the Borrowers to pay all principal and interest and premium, if any, under this Promissory Note upon demand or as otherwise provided herein.

Each Borrower waives presentment and demand for payment, notice of dishonor, protest and notice of protest under the UCC or any applicable law. Each Borrower agrees to make all payments under this Promissory Note without setoff, recoupment or deduction and regardless of any counterclaim or defense. This Promissory Note has been negotiated and delivered to Lender and is payable in the State of California. This Promissory Note shall be governed by and

construed and enforced in accordance with, the laws of the State of California, excluding any conflicts of law rules or principles that would cause the application of the laws of any other jurisdiction.

[Remainder of page intentionally left blank - signature page to follow]

BORROWERS EACH FOR ITSELF AND
ON BEHALF OF ITS SUBSIDIARIES:

DIOMED HOLDINGS, INC.

Signature: _____

Print Name: _____

Title: _____

DIOMED, INC.

Signature: _____

Print Name: _____

Title: _____

EXHIBIT C

NAME, LOCATIONS, AND OTHER INFORMATION FOR BORROWER

1. Borrower represents and warrants to Lender that Borrower's current name and organizational status as of the Closing Date is as follows:

Name: Diomed, Inc.

Type of organization: Corporation

State of organization: Delaware

Organization file number: 2823212

2. Borrower represents and warrants to Lender that for five (5) years prior to the Closing Date, Borrower did not do business under any other name or organization or form except the following: NONE

Name:
Used during dates of:
Type of Organization:
State of organization:
Organization file Number:

Borrower's fiscal year ends on December 31
Borrower's federal employer tax identification number is: 04-3410679

3. Borrower represents and warrants to Lender that its chief executive office is located at: One Dundee Park, Andover, MA 01810.

NAME, LOCATIONS, AND OTHER INFORMATION FOR HOLDINGS

1. Borrower represents and warrants to Lender that Borrower's current name and organizational status as of the Closing Date is as follows:

Name: Diomed Holdings, Inc.

Type of organization: Corporation

State of organization: Delaware

Organization file number: 3509203

2. Borrower represents and warrants to Lender that for five (5) years prior to the Closing Date, Borrower did not do business under any other name or organization or form except the following: NONE

Name:
Used during dates of:
Type of Organization:
State of organization:
Organization file Number:

Borrower's fiscal year ends on December 31
Borrower's federal employer tax identification number is: 84-1480636

3. Borrower represents and warrants to Lender that its chief executive office is located at: One Dundee Park, Andover, MA 01810.

EXHIBIT D

BORROWER'S PATENTS, TRADEMARKS, COPYRIGHTS AND LICENSES

EXHIBIT E

BORROWER'S DEPOSIT ACCOUNTS AND INVESTMENT ACCOUNTS

Name of Institution	Account Holder	Address and Telephone No.	Account No.	Type (Deposit or Investment)	Purpose of Account

EXHIBIT F

COMPLIANCE CERTIFICATE

Hercules Technology Growth Capital, Inc.
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301

Reference is made to that certain Loan and Security Agreement dated as of September 28, 2007 and all ancillary documents entered into in connection with such Loan and Security Agreement all as may be amended from time to time, (hereinafter referred to collectively as the "Loan Agreement") between Hercules Technology Growth Capital, Inc. ("Hercules") as Lender and Diomed Holdings, Inc. ("Holdings") and Diomed, Inc. ("Lead Borrower"), each for itself and on behalf of each Additional Borrower (collectively with Holdings and Lead Borrower, the "Borrowers"). All capitalized terms not defined herein shall have the same meaning as defined in the Loan Agreement.

The undersigned is an Officer of the Holdings, knowledgeable of all Borrowers' financial matters, and is authorized to provide certification of information regarding the Borrowers; hereby certifies that in accordance with the terms and conditions of the Loan Agreement, the Borrowers are in compliance for the period ending _____ of all covenants, conditions and terms and hereby reaffirms that all representations and warranties contained therein are true and correct on and as of the date of this Compliance Certificate with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date, after giving effect in all cases to any standard(s) of materiality contained in the Loan Agreement as to such representations and warranties. Attached are the required documents supporting the above certification. The undersigned further certifies that these are prepared in accordance with GAAP (except for the absence of footnotes with respect to unaudited financial statement and subject to normal year end adjustments) and are consistent from one period to the next except as explained below.

REPORTING REQUIREMENT	REQUIRED	CHECK IF ATTACHED
Interim Financial Statements	Monthly within 30 days	
Interim Financial Statements	Quarterly within 45 days	
Audited Financial Statements	FYE within 90 days	

Very truly yours,
DIOMED HOLDINGS, INC.
By: _____
Name: _____
Its: _____

EXHIBIT G

FORM OF JOINDER AGREEMENT

This Joinder Agreement (the "Joinder Agreement") is made and dated as of _____, 20___, and is entered into by and between_____, a _____ corporation ("Subsidiary"), and Hercules Technology Growth Capital, Inc., a Maryland corporation, as a Lender.

RECITALS

A. Subsidiary's Affiliate, [Borrower] ("Company") has entered into that certain Loan and Security Agreement dated as of September 28, 2007, with Lender, as such agreement may be amended (the "Loan Agreement"), together with the other agreements executed and delivered in connection therewith;

B. Subsidiary acknowledges and agrees that it will benefit both directly and indirectly from Company's execution of the Loan Agreement and the other agreements executed and delivered in connection therewith;

AGREEMENT

NOW THEREFORE, Subsidiary and Lender agree as follows:

1. The recitals set forth above are incorporated into and made part of this Joinder Agreement. Capitalized terms not defined herein shall have the meaning provided in the Loan Agreement.

2. By signing this Joinder Agreement, Subsidiary shall be bound by the terms and conditions of the Loan Agreement the same as if it were the Borrower (as defined in the Loan Agreement) under the Loan Agreement, *mutatis mutandis*, provided however, that Lender shall have no duties, responsibilities or obligations to Subsidiary arising under or related to the Loan Agreement or the other agreements executed and delivered in connection therewith. Rather, to the extent that Lender has any duties, responsibilities or obligations arising under or related to the Loan Agreement or the other agreements executed and delivered in connection therewith, those duties, responsibilities or obligations shall flow only to Company and not to Subsidiary or any other person or entity. By way of example (and not an exclusive list): (a) Lender's providing notice to Company in accordance with the Loan Agreement or as otherwise agreed between Company and Lender shall be deemed provided to Subsidiary; (b) a Lender's providing an Advance to Company shall be deemed an Advance to Subsidiary; and (c) Subsidiary shall have no right to request an Advance or make any other demand on Lender.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

SUBSIDIARY:

By: _____

Name: _____

Title: _____

Address:

_____

_____

Telephone: _____

Facsimile: _____

LENDER: **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.,**
a Maryland corporation

By: _____

Name: Scott Harvey

Its: Chief Legal Officer

EXHIBIT H

ACH DEBIT AUTHORIZATION AGREEMENT

Hercules Technology Growth Capital, Inc.
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301

Re: Loan and Security Agreement dated as of September 28, 2007 among DIOMED HOLDINGS, INC., a Delaware corporation, and DIOMED, INC., a Delaware corporation, each for itself and each Additional Borrower (collectively, the "Borrowers") and Hercules Technology Growth Capital, Inc. ("Company") (the "Agreement")

In connection with the above referenced Agreement, the undersigned Borrower hereby authorizes the Company to initiate debit entries for the periodic payments due under the Agreement to the Borrower's account indicated below. The undersigned Borrower authorizes the depository institution named below to debit to such account.

DEPOSITORY NAME	BRANCH
CITY	STATE AND ZIP CODE
TRANSIT/ABA NUMBER	ACCOUNT NUMBER

This authority will remain in full force and effect so long as any amounts are due under the Agreement.

_____
(Borrower)(Please Print)
By: _____
Date: _____

TRADEMARK SECURITY AGREEMENT

This Agreement is dated the 28th day of September, 2007, among Diomed Holdings, Inc., a Delaware corporation, Diomed, Inc., a Delaware corporation, each with its chief executive office and principal place of business located at One Dundee Park, Andover, Massachusetts 01810, (each, a "***Grantor***" and collectively, the "***Grantors***"), and Hercules Technology Growth Capital, Inc., a Maryland corporation, with its chief executive office and principal place of business located at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301 ("***Secured Party***").

RECITALS

A. Each Grantor owns the Trademarks (as defined in the Loan Agreement), Trademark registrations and Trademark applications and are party, whether individually or collectively, to the Trademark Licenses to which it is a party, all as listed on Schedule 1 hereto:

B. Grantors and Secured Party are parties to a Loan and Security Agreement dated as of September 28, 2007 and all ancillary documents entered into in connection with such Loan and Security Agreement, all as may be amended from time to time (hereinafter referred to collectively as the "***Loan Agreement***");

C. Pursuant to the terms of the Loan Agreement, each Grantor has granted to Secured Party a first priority security interest in all tangible and intangible personal property of such Grantor, including all right, title and interest of such Grantor in, to and under all of such Grantor's Trademarks, Trademark Licenses to which it is a party (as such terms are defined in the Loan Agreement), and all products and proceeds thereof, including, without limitation, any and all causes of action which may exist by reason of infringement or dilution thereof or injury to the associated goodwill, to secure the payment of all amounts owing under the Loan Agreement.

D. All capitalized terms not defined herein shall have the meanings set forth in the Loan Agreement.

NOW, THEREFORE, in consideration of the premises, each Grantor hereby agrees with Secured Party as follows:

1. To secure the complete and timely satisfaction of all Secured Obligations, each Grantor hereby grants and conveys to Secured Party a continuing security interest in and lien on all of such Grantor's right, title and interest in and to, whether presently existing or hereafter arising or acquired, the Trademarks (including those listed on Schedule 1 hereto (as the same may be amended pursuant hereto from time to time)), and Trademark Licenses to which it is a party, including, without limitation, all renewals thereof, all proceeds of infringement suits, the right to sue for past, present and future infringements and all rights corresponding thereto throughout the world, and the goodwill of the business to which each of the Trademarks relates.

2. Each Grantor represents, warrants and covenants that:

a) Such Grantor is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Trademarks owned by such Grantor, free and clear of any liens, charges and encumbrances, except for Permitted Liens, including, without limitation, pledges, assignments, licenses, shop rights and covenants by such Grantor not to sue third persons, except for any license disclosed in Schedule 1;

b) The Trademarks are subsisting and have not been adjudged invalid or unenforceable;

c) To the best of such Grantor's knowledge, each of the Trademarks is valid and enforceable;

d) No claim has been made that the use of any of the Trademarks does or may violate the rights of any third person;

e) such Grantor has the unqualified right to enter into this Trademark Security Agreement and perform its terms;

f) Each Grantor has used, and will continue to use for the duration of this Trademark Security Agreement, proper statutory notice in connection with its use of the Trademarks; and

g) Each Grantor has used, and will continue to use for the duration of this Trademark Security Agreement, consistent standards of quality of products sold under the Trademarks.

3. Each Grantor hereby grants to Secured Party the right to visit such Grantor's facilities to inspect the products at reasonable times during regular business hours. Each Grantor shall do any and all acts reasonably required by Secured Party to ensure such Grantor's compliance with paragraph 2(g).

4. Each Grantor agrees that, until all of the Secured Obligations shall have been satisfied in full in cash, such Grantor will not enter into any agreement relating to such Grantor's Trademarks (for example, a license agreement) which is inconsistent with such Grantor's obligations under this Trademark Security Agreement, without Secured Party's prior written consent; provided, that so long as no Default or Event of Default shall have occurred and be continuing, such Grantor may grant licenses to third parties to use the Trademarks in the ordinary course of business of such Grantor and such third party on arm's length and customary business terms.

5. If, before the Secured Obligations shall have been satisfied in full in cash, any Grantor shall obtain rights to any new Trademarks, the provisions of paragraph 1 shall automatically apply thereto and such Grantor shall give Secured Party prompt written notice thereof.

6. Each Grantor authorizes Secured Party to unilaterally modify this Trademark Agreement by amending Schedule 1 to include any future Trademarks covered by paragraphs 1 and 5 hereof.

7. If any Event of Default shall have occurred and be continuing, Secured Party shall have, in addition to all other rights and remedies given it by this Trademark Security Agreement or the Loan Agreement, those allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Trademarks may be located and, without limiting the generality of the foregoing, the Secured Party may immediately, without demand of performance and without other notice (except as set forth below) or demand whatsoever to any Grantor, all of which are hereby expressly waived, and without advertisement, sell at public or private sale or otherwise realize upon, all or from time to time any of the Trademarks, or any interest which the applicable Grantor may have therein, and after deducting from the proceeds of sale or other disposition of the Trademarks all expenses (including all reasonable expenses for brokers' fees and legal services), shall apply the residue of such proceeds toward the payment of the Secured Obligations. Any remainder of the proceeds after payment in full in cash of the Secured Obligations shall be paid over to the Grantors. Notice of any sale or other disposition of the Trademarks shall be given to the Lead Borrower at least ten (10) days before the time of any intended public or private sale or other disposition of the Trademarks is to be made, which each Grantor hereby agrees shall be reasonable notice of such sale or other disposition. At any such sale or other disposition Secured Party or its assignee may, to the extent permissible under applicable law, purchase the whole or any part of the Trademarks sold, free from any right of redemption on the part of Grantors, which right is hereby waived and released.

8. At any time and from time to time, upon the written request of Secured Party, and at the sole expense of Grantors, each Grantor will promptly and duly execute and deliver such further instruments and documents and take such further action as Secured Party may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and the Loan Agreement, and of the rights and powers herein and therein granted, including, without limitation, the filing of any additional, supplemental, or amended Trademark Security Agreements, or the filing of any financing statements or continuation statements under the Uniform Commercial Code in effect in any jurisdiction with respect to the Liens created hereby or in any of the Loan Agreements.

9. At such time as Grantors shall completely satisfy all of the Secured Obligations (other than inchoate indemnity obligations) in cash, this Trademark Security Agreement shall terminate and Secured Party shall execute and deliver to the Grantors all terminations, or other instruments as may be necessary or proper to terminate the security interest granted herein and to terminate the applicable Grantor's obligations hereunder, subject to any disposition thereof which may have been made by Secured Party pursuant hereto.

10. Any and all reasonable fees, costs and expenses, of whatever kind or nature, including the reasonable attorneys' fees and legal expenses incurred by Secured Party in connection with the preparation of this Trademark Security Agreement and all other documents relating hereto and the consummation of this transaction, the filing or recording of any documents (including all taxes in connection therewith) in public offices, the payment or discharge of any taxes, counsel fees, maintenance fees, encumbrances or otherwise protecting, maintaining or preserving the Trademarks, or in defending or prosecuting any actions or proceedings arising out of or related to the Trademarks, shall be borne and paid by Grantors jointly and severally on demand by Secured Party and shall be added to the principal amount of the Secured Obligations and shall bear interest at the highest applicable Default Rate.

11. Each Grantor shall have the duty, through counsel reasonably acceptable to Secured Party, to prosecute diligently any Trademark applications pending as of the date of this Trademark Security Agreement or thereafter until the Secured Obligations shall have been paid in full in cash, to make federal application on registrable but unregistered Trademarks (provided that such application will not significantly compromise such Grantor's competitive position), to file and prosecute opposition and cancellation proceedings and to do any and all acts which are necessary or desirable to preserve and maintain all rights in the Trademarks. Any expenses incurred in connection with the Trademarks shall be borne by Grantors. The Grantors shall only abandon a Trademark if, while exercising good faith and reasonable business judgment, such Grantor determines it is prudent.

12. Each Grantor shall have the right, with the prior written consent of Secured Party, which will not be unreasonably withheld, to bring any opposition proceedings, cancellation proceedings or lawsuit in its own name to enforce or protect the Trademarks, in which event Secured Party may, if necessary, be joined as a nominal party to such suit if Secured Party shall have been satisfied in the exercise of its reasonable judgment that it is not thereby incurring any risk of liability because of such joinder. Each Grantor shall promptly, upon demand, reimburse and indemnify Secured Party for all damages, costs and expenses, including reasonable attorneys' fees incurred by Secured Party, in accordance with the Loan Agreement.

13. Each Grantor hereby authorizes and empowers Secured Party to make, constitute and appoint any officer or agent of Secured Party as Secured Party may select, in its exclusive discretion, as such Grantor's true and lawful attorney-in-fact, with the power, after and during the continuance of an Event of Default, to endorse such Grantor's name on all applications, documents, papers and instruments necessary for Secured Party to use the Trademarks, or to grant or issue any exclusive or nonexclusive license under the Trademarks to anyone else, or necessary for Secured Party to, pledge, convey or otherwise transfer title in or dispose of the Trademarks to any third person as a part of Secured Party's realization on such collateral upon acceleration of the Secured Obligations following an Event of Default. Each Grantor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney being coupled with an interest shall be irrevocable for the life of this Trademark Security Agreement.

14. If any Grantor fails to comply with any of their obligations hereunder, Secured Party may do so in such Grantor's name or in Secured Party's name, but at Grantors' expense, and Grantors hereby jointly and severally agree to reimburse Secured Party in full for all expenses, including reasonable attorneys' fees, incurred by Secured Party in protecting, defending and maintaining the Trademarks.

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

16. All of Secured Party's rights and remedies with respect to the Trademarks, whether established hereby or by the Loan Agreement, or any other agreements or by law, shall be cumulative and may be exercised singularly or concurrently.

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

18. This Trademark Security Agreement is subject to modification only by a writing signed by the parties hereto, except as provided in paragraph 6.

19. This Trademark Security Agreement shall be binding upon each Grantor and Secured Party and their respective permitted successors and assigns, and shall inure to the benefit of Grantors, Secured Party and the respective permitted successors and assigns of such Grantor and Secured Party.

20. The validity and interpretation of this Trademark Security Agreement and the rights and obligations of the parties shall be governed by the laws of the State of California.

21. Section 11.2 (*Notice*) of the Loan Agreement is hereby incorporated herein in its entirety, save that references therein to the term Lender shall be deemed to be references to Secured Party herein and references therein to the term Borrower or Borrowers shall be deemed to be references to any Grantor or the Grantors, as applicable, herein.

[*Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, the execution hereof under seal as of the day and year first above written.

DIOMED HOLDINGS, INC.

By: _____

Name:

Title:

DIOMED, INC.

By: _____

Name:

Title:

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

By: _____

Name: K. Nicholas Martitsch

Its: Associate General Counsel

SCHEDULE 1 TO

TR ADEMARK SECURITY AGREEMENT

TRADEMARKS AND TRADEMARK APPLICATIONS:

Trademark	Applicant/Registrant	Registration/ Application No.	Registration/ File Date
OPTIGUIDE	Diomed, Inc.	2055737	04/22/1997
ELVT	Diomed, Inc.	2715197	05/13/2003
ALC (Block Letters)	Diomed, Inc.	3044703	01/17/2006
SPOTLIGHT OPS	Diomed, Inc.	77-020683	10/30/2006
SITE MARKS (Block Letters)	Diomed, Inc.	77-032377	10/30/2006
SPOTLIGHT (Block Letters)	Diomed, Inc.	78-804678	02/01/2006

COLLATERAL GRANT OF SECURITY INTEREST IN COPYRIGHTS

This Collateral Grant of Security Interest in Copyrights (this "***Agreement***") is made as of this 28th day of September, 2007, by each of Diomed Holdings, Inc., a Delaware corporation, and Diomed, Inc., a Delaware corporation (each a "***Grantor***", and collectively, the "***Grantors***"), for the benefit of Hercules Technology Growth Capital, Inc., a Maryland corporation ("***Grantee***").

WHEREAS, Grantors own an interest in Copyrights (as defined in the Loan Agreement (as defined below)) and are, whether individually or collectively, party to Copyright Licenses to which it is a party (as defined in the Loan Agreement) listed on Schedule I; and

WHEREAS, pursuant to that certain Loan and Security Agreement dated as of September 28, 2007, and related Notes (as defined therein) (collectively, the "***Loan Agreement***"), each Grantor has granted to Grantee a security interest in all of such Grantor's assets, including all right, title and interest of such Grantor in, to and under all of such Grantor's Copyrights and Copyright Licenses to which it is a party, all renewals thereof, in each case whether presently existing or hereafter arising or acquired, to secure the payment of all the Secured Obligations (as defined in the Loan Agreement). All capitalized terms and rules of construction used herein but not defined or established herein shall be applied herein as defined or established in the Loan Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantors agree as follows:

1. Grant of Security Interest in Copyright Collateral. To secure the prompt and complete payment, performance and observance of the Secured Obligations, each Grantor hereby reaffirms its grant of, and further grants to Grantee a continuing security interest in all of such Grantor's now existing or hereafter acquired right, title and interest in, to and under the following (all of the following items or types of property being herein collectively referred to as the "***Copyright Collateral***"), whether now existing or hereafter arising:

a. all Copyrights and Copyright Licenses to which it is a party including those Copyrights listed on Schedule I; and

b. all Proceeds of the foregoing.

2. Authorization. Should any Grantor register any Copyrights, such Grantor (i) shall promptly notify Grantee of such registration and (ii) hereby authorize Grantee to file this Agreement with the U.S. Copyright Office and take any other actions necessary to perfect Grantee's security interest in the Copyright Collateral. Each Grantor hereby authorizes and requests that the U.S. Copyright Office, Library of Congress record this Agreement and the interests herein granted.

3. Security for Obligations. The security interest in the Copyright Collateral is granted to secure the Secured Obligations under and pursuant to the Loan Agreement. Each Grantor does hereby further acknowledge and affirm that the rights and remedies of Grantee with respect to the security interest in the Copyright Collateral made and granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

4. Maintenance of Schedule. Each Grantor authorizes Grantee to unilaterally modify this Agreement by amending Schedule I to include any future Copyrights and Copyrights Licenses which are Copyrights and Copyright Licenses under paragraph 1 hereof.

5. Governing Law. This Agreement shall be deemed made and accepted in and shall be governed by and construed in accordance with the laws of the State of California without regard to the conflicts of law principles hereof, and (where applicable) the laws of the United States of America.

6. Further Assurances. At any time and from time to time, upon the written request of Grantee, and at the sole expense of Grantors, each Grantor will promptly and duly execute and deliver such further instruments and documents and take such further action as Grantee may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and the Loan Agreement, and of the rights and powers herein and therein granted, including, without limitation, the filing of any additional, supplemental, or amended Collateral Grant of Security Interest in Copyrights with the U.S. Copyright Office, or the filing of any financing statements or continuation statements under the Uniform Commercial Code in effect in any jurisdiction with respect to the Liens created hereby or in any of the Loan Agreement.

7. Grantee's Right to Sue. From and after the occurrence and during the continuance of an Event of Default, subject to the terms of the Loan Agreement, Grantee shall have the right, but shall in no way be obligated, to bring suit in its own name against any third parties to enforce Grantee's interests in and to the Copyright Collateral, and, if Grantee shall commence any such suit, Grantors shall, at the request of Grantee, do any and all lawful acts and execute and deliver any and all proper documents, instruments or information that may be necessary or desirable to aid Grantee in such enforcement and Grantors shall promptly, upon demand, reimburse and indemnify Grantee for all costs and expenses, including reasonable attorneys' fees, incurred by Grantee in the exercise of the foregoing rights. Any recovery from such suits shall be applied by Grantee in the order or priorities set forth in the Loan Agreement.

8. Modification. Except as set forth in paragraph 4 hereof, this Agreement cannot be altered, amended or modified in any way, except as specifically provided by a writing signed by Grantors and Grantee.

9. Binding Effect. This Agreement shall be binding upon Grantors and their respective successors and assigns, and shall inure to the benefit of Grantee, its nominees and assigns.

10. Notice. Section 11.2 (*Notice*) of the Loan Agreement is hereby incorporated herein in its entirety, save that references therein to the term Lender shall be deemed to be references to Grantee herein and references therein to the term Borrower shall be deemed to be references to Grantors herein.

[*Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, the parties have duly executed this Collateral Grant of Security Interest in Copyrights as of the date first set forth above.

DIOMED HOLDINGS, INC.

By: _____

Name:

Title:

DIOMED, INC.

By: _____

Name:

Title:

HERCULES TECHNOLOGY GROWTH
CAPITAL, INC.

By: _____

Name: K. Nicholas Martitsch

Its: Associate General Counsel

SCHEDULE I

TO COLLATERAL GRANT OF SECURITY INTEREST IN COPYRIGHTS BY DIOMED HOLDINGS, INC. AND DIOMED, INC. IN FAVOR OF HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

COPYRIGHT REGISTRATIONS, APPLICATIONS AND LICENSES

Copyright Title	Copyright No.	Registration Date
NONE		

PATENT SECURITY AGREEMENT

This Agreement is dated the 28th day of September, 2007, among Diomed Holdings, Inc., a Delaware corporation, Diomed, Inc., a Delaware corporation, each with its chief executive office and principal place of business located at One Dundee Park, Andover, Massachusetts 01810, (each, a "***Grantor***" and collectively, the "***Grantors***"), and Hercules Technology Growth Capital, Inc., a Maryland corporation, with its chief executive office and principal place of business located at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301 ("***Secured Party***").

RECITALS

A. Each Grantor owns Patents (as defined in the Loan Agreement (as defined below)) and Patent applications and are party, whether individually or collectively, to the Patent Licenses to which it is a party (as defined in the Loan Agreement), all as listed on Schedule 1 hereto;

B. Grantors and Secured Party are parties to a Loan and Security Agreement dated as of September 28, 2007 and all ancillary documents entered into in connection with such Loan and Security Agreement, all as may be amended from time to time (hereinafter referred to collectively as the "***Loan Agreement***");

C. Pursuant to the terms of the Loan Agreement, each Grantor has granted to Secured Party a first priority security interest in all of the tangible and intangible property of such Grantor, including all right, title and interest of such Grantor in, to and under all of such Grantor's Patents and Patent Licenses, whether presently existing or hereafter arising or acquired, and all products and proceeds thereof, including, without limitation, any and all causes of action which may exist by reason of infringement thereof for the full term of the Patents, to secure the payment of the Secured Obligations;

D. All capitalized terms not defined herein shall have the meanings set forth in the Loan Agreement;

NOW, THEREFORE, in consideration of the premises contained herein, each Grantor agrees with Secured Party as follows:

1. To secure the complete and timely satisfaction of all Secured Obligations, each Grantor hereby grants, and conveys to Secured Party a continuing security interest in and lien on all of such Grantor's entire right, title and interest in and to, whether presently existing or hereafter arising or acquired, the Patents and Patent Licenses to which it is a party, including those listed on Schedule 1 hereto (as may be amended from time to time), including, without limitation, all proceeds thereof (such as, by way of example, license royalties and proceeds of infringements, all rights corresponding thereto throughout the world and all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof).

2. Each Grantor represents, warrants and covenants that:

a) such Grantor is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Patents owned by such Grantor, free and clear of any liens, charges and encumbrances, including, without limitation, pledges, assignments, licenses, shop rights and covenants by Grantor not to sue third persons, except for any license disclosed in Schedule 1;

b) The Patents are subsisting and have not been adjudged invalid or unenforceable, in whole or in part;

c) To the best of such Grantor's knowledge, each of the Patents is valid and enforceable; and

d) such Grantor has the unqualified right to enter into this Patent Security Agreement and perform its terms.

3. Each Grantor agrees that, until all of the Secured Obligations shall have been satisfied in full in cash, such Grantor will not enter into any agreement relating to such Grantor's Patents (for example, a license agreement) which is inconsistent with such Grantor's obligations under this Patent Security Agreement, without Secured Party's prior written consent; provided, that so long as no Default or Event of Default shall have occurred and be continuing, such Grantor may grant licenses to third parties to use the Patents in the ordinary course of business of such Grantor and such third party on arm's length and customary business terms.

4. If, before the Secured Obligations shall have been satisfied in full in cash, any Grantor shall obtain rights to any new patentable inventions, or become entitled to the benefit of any Patent for any reissue, division, continuation, renewal, extension, or continuation-in-part of any Patent or any improvement on any Patent, the provisions of paragraph 1 shall automatically apply thereto and such Grantor shall give to Secured Party prompt notice thereof in writing.

5. Each Grantor authorizes Secured Party to unilaterally modify this Patent Security Agreement by amending Schedule 1 to include any future Patents which are Patents under paragraph 1 or paragraph 4 hereof.

6. If any Event of Default shall have occurred and be continuing, Secured Party shall have, in addition to all other rights and remedies given it by this Patent Security Agreement or the Loan Agreement, those allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Patents may be located and, without limiting the generality of the foregoing, Secured Party may immediately, without demand of performance and without other notice (except as set forth below) or demand whatsoever to any Grantor, all of which are hereby expressly waived, and without advertisement, sell at public or private sale or otherwise realize upon, the whole or from time to time any part of the Patents, or any interest which any Grantor may have therein, and after deducting from the proceeds of sale or other disposition of the Patents all expenses (including reasonable expenses for brokers' fees and legal services), shall apply the residue of such proceeds toward the payment of the Secured Obligations. Any remainder of the proceeds after payment in full in cash of the Secured Obligations shall be paid over to Grantor. Notice of any sale or other disposition of the Patents shall be given to the Lead Borrower at least ten (10) days before the time of any intended public or private sale or other disposition of the Patents is to be made, which each Grantor hereby agrees shall be reasonable notice of such sale or other disposition. At any such sale or other disposition Secured Party may, to the extent permissible under applicable law, purchase the whole or any part of the Patents sold, free from any right of redemption on the part of such Grantor, which right is hereby waived and released.

7. Each Grantor hereby authorizes and empowers Secured Party to make, constitute and appoint any officer or agent of Secured Party, as Secured Party may select in its exclusive discretion, as such Grantor's true and lawful attorney-in-fact, with the power, after and during the continuance of an Event of Default, to endorse such Grantor's name on all applications, documents, papers and instruments necessary for Secured Party to use the Patents, or to grant or issue any exclusive or nonexclusive license under the Patents to any third person, or necessary for Secured Party to, pledge, convey or otherwise transfer title in or dispose of the Patents to any third person as a part of Secured Party's realization on such collateral upon acceleration of the Secured Obligations following an Event of Default. Each Grantor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney being coupled with an interest shall be irrevocable for the life of this Patent Security Agreement.

8. At such time as Grantors shall completely satisfy all of the Secured Obligations (other than inchoate indemnity obligations), this Patent Security Agreement shall terminate and Secured Party shall execute and deliver to Grantors all terminations or other instruments as may be necessary or proper terminate the security interest granted herein and to terminate the applicable Grantor's obligations hereunder, subject to any disposition thereof which may have been made by Secured Party pursuant hereto.

9. Any and all reasonable fees, costs and expenses, of whatever kind or nature, including the reasonable attorneys' fees and legal expenses incurred by Secured Party in connection with the preparation of this Patent Security Agreement and all other documents relating hereto and the consummation of this transaction, the filing or recording of any documents (including all taxes in connection therewith) in public offices, the payment or discharge of any taxes, counsel fees, maintenance fees, encumbrances or otherwise protecting, maintaining or preserving the Patents, or in defending or prosecuting any actions or proceedings arising out of or related to the Patents, shall be borne and paid by Grantors jointly and severally on demand by Secured Party and until so paid shall be added to the principal amount of the Secured Obligations and shall bear interest at the highest applicable Default Rate.

10. Each Grantor shall have the duty, through counsel reasonably acceptable to Secured Party, to prosecute diligently any Patent applications pending as of the date of this Patent Security Agreement or thereafter until the Secured Obligations shall have been paid in full in cash, to make application on unpatented but patentable inventions (provided that such registration will not significantly compromise such Grantor's competitive position) and to preserve and maintain all rights in Patents, including, without limitation, the payment of all maintenance fees. Any expenses incurred in connection with such an application shall be borne by Grantors. No Grantor shall abandon any right to file a Patent application, or any pending Patent application or Patent without the prior written consent of Secured Party, which consent shall not be unreasonably withheld.

11. Each Grantor shall have the right, with the consent of Secured Party, which consent shall not be unreasonably withheld, to bring suit in its own name and to join Secured Party, if necessary, as a party to such suit so long as Secured Party is satisfied, in the exercise of reasonable judgment, that such joinder will not subject it to any risk of liability, to enforce the Patents. Each Grantor shall promptly, upon demand, reimburse and indemnify Secured Party for all damages, costs and expenses, including reasonable attorneys' fees incurred by Secured Party, in accordance with the Loan Agreement and this Patent Security Agreement.

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

13. At any time and from time to time, upon the written request of Secured Party, and at the sole expense of Grantors, Grantors will promptly and duly execute and deliver such further instruments and documents and take such further action as Secured Party may reasonably request for the purpose of obtaining or preserving the full benefits of this Patent Security Agreement and the Loan Agreement, and of the rights and powers herein and therein granted, including, without limitation, the filing of any additional, supplemental, or amended Patent Security Agreements, or the filing of any financing statements or continuation statements under the Uniform Commercial Code in effect in any jurisdiction with respect to the Liens created hereby or in any of the Loan Agreements.

14. All of Secured Party's rights and remedies with respect to the Patents, whether established hereby or by the Loan Agreement or any other agreements or by law shall be cumulative and may be exercised singularly or concurrently.

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

16. This Patent Security Agreement is subject to modification only by a writing signed by the parties hereto, except as provided in paragraph 5.

17. This Patent Security Agreement shall be binding upon Grantors and Secured Party and their respective permitted successors and assigns, and shall inure to the benefit of Grantors, Secured Party and the respective permitted successors and assigns of Grantors and Secured Party.

18. The validity and interpretation of this Patent Security Agreement and the rights and obligations of the parties shall be governed by the laws of the State of California.

19. Section 11.2 (*Notice*) of the Loan Agreement is hereby incorporated herein in its entirety, save that references therein to the term Lender shall be deemed to be references to Secured Party herein and references therein to the term Borrower or Borrowers shall be deemed to be references to any Grantor or the Grantors, as applicable, herein.

[*Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, the execution hereof under seal as of the day and year first above written.

DIOMED HOLDINGS, INC.

By: _____

Name:

Title:

DIOMED, INC.

By: _____

Name:

Title:

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

By: _____

Name: K. Nicholas Martitsch

Its: Associate General Counsel

SCHEDULE 1 TO
PATENT SECURITY AGREEMENT

PATENTS AND PATENT APPLICATIONS:

Patent Title	Owner	Registration/ Application No.	Registration/ File Date
METHOD OF ENDOVENOUS LASER TREATMENT	Diomed, Inc.	6986766	01/17/2006
MEDICAL LASER DEVICE	Diomed, Inc.	6981971	01/03/2006
ENDOVASCULAR LASER DEVICE AND TREATMENT OF VARICOSE VEINS	Diomed, Inc.	6398777	06/04/2002
LASER SYSTEM	Diomed, Inc.	20060089629	04/26/2006

NEITHER THESE SECURITIES NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THESE SECURITIES AND THE SECURITIES ISSUABLE UPON CONVERSION OF THESE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

THIS INSTRUMENT AND THE RIGHTS AND OBLIGATIONS EVIDENCED HEREBY ARE SUBORDINATE IN THE MANNER AND TO THE EXTENT SET FORTH IN THAT CERTAIN INTERCREDITOR AGREEMENT (AS THE SAME MAY BE AMENDED OR OTHERWISE MODIFIED FROM TIME TO TIME PURSUANT TO THE TERMS THEREOF, THE "INTERCREDITOR AGREEMENT"), DATED AS OF SEPTEMBER 28, 2007, AMONG HERCULES TECHNOLOGY GROWTH CAPITAL, INC. (THE "LENDER") AND EACH OF IROQUOIS CAPITAL LP, CRANSHIRE CAPITAL, L.P., PORTSIDE GROWTH AND OPPORTUNITY FUND AND ROCKMORE INVESTMENT MASTER FUND LTD (THE "SUBORDINATED CREDITORS"). EACH HOLDER OF THIS INSTRUMENT, BY ITS ACCEPTANCE HEREOF, IRREVOCABLY AGREES TO BE BOUND BY THE PROVISIONS OF THE INTERCREDITOR AGREEMENT APPLICABLE TO A "SUBORDINATED CREDITOR" (AS SUCH TERM IS DEFINED IN THE INTERCREDITOR AGREEMENT), AS IF SUCH HOLDER WERE AN ORIGINAL SIGNATORY THERETO AS A SUBORDINATED CREDITOR FOR ALL PURPOSES OF THE INTERCREDITOR AGREEMENT.

Original Issue Date: October 25, 2004
Original Conversion Price (subject to adjustment herein): **$2.29 [Note: Conversion Price reduced to $1.15 per antidilution provisions as a result of the September 30, 2006 Preferred Stock financing.]**
As Amended and Restated: **$0.70**

$_____

AMENDED AND RESTATED VARIABLE RATE
SECURED SUBORDINATED CONVERTIBLE DEBENTURE

THIS AMENDED AND RESTATED VARIABLE RATE SECURED SUBORDINATED CONVERTIBLE DEBENTURE (this "Debenture") is one of a series of duly authorized and issued Amended and Restated Variable Rate Secured Subordinated Convertible Debentures of Diomed Holdings, Inc., a Delaware corporation, having a principal place of business at One Dundee Park, Andover, MA 01810 (the "Company"), which amend, supplement, modify and completely restate and supersede the Variable Rate Convertible Debentures, due October 25, 2008 (collectively, the "Original Debentures") initially issued on October 25, 2004.

FOR VALUE RECEIVED, the Company promises to pay to _____ or its registered assigns (the "Holder"), the principal sum of $_____ on October 25, 2008 or such earlier date as the Debentures are required or permitted to be repaid as provided hereunder (the "Maturity Date"), in cash or in Common Stock, subject to the terms and conditions herein, and to pay interest to the Holder on the aggregate unconverted and then outstanding principal amount of this Debenture in accordance with the provisions hereof. This Debenture is subject to the following additional provisions:

Section 1. Definitions. For the purposes hereof, in addition to the terms defined elsewhere in this Debenture: (a) capitalized terms that are used herein and defined in the UCC shall have the meanings given to them in the UCC, (b) capitalized terms not otherwise defined herein have the meanings given to such terms in the Purchase Agreement and (c) the following terms shall have the following meanings:

"2007 Loan Agreement" means the Loan and Security Agreement, dated as of September 28, 2007, by and among the Company, Diomed, Inc., a Delaware corporation and each of their respective subsidiaries that is or becomes a "Borrower" thereunder, and Hercules Technology Growth Capital, Inc., a Maryland corporation.

"2007 Loan Documents" shall have the meaning given to the term "Loan Documents" in the 2007 Loan Agreement.

"777 Patent Litigation" means litigation relating to the Borrowers' patent infringement case against AngioDynamics, Inc, and Vascular Solutions, Inc. relating to '777 patent, Civil Action No. 04-10019-NMG (consolidated) filed in the United States District Court for the District of Massachusetts.

"Alternate Consideration" shall have the meaning set forth in Section 6(e)(ii).

"Borrowers" shall mean the Company and Diomed, Inc., a Delaware corporation, a wholly-owned subsidiary of the Company.

"Business Day" means any day except Saturday, Sunday and any day which shall be a federal legal holiday in the United States or a day on which banking institutions in the State of New York are authorized or required by law or other government action to close.

"Change of Control Transaction" means the occurrence after the date hereof of any of (i) an acquisition after the date hereof by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of in excess of 33% of the voting securities of the Company, or (ii) a replacement at one time or within a three year period of more than one-half of the members of the Company's board of directors which is not approved by a majority of those individuals who are members of the board of directors on the date hereof (or by those individuals who are serving as members of the board of directors on any date whose nomination to the board of directors was approved by a majority of the members of the board of directors who are members on the date hereof), or (iii) the execution by the Company of an agreement to which the Company is a party or by which it is bound, providing for any of the events set forth above in (i) or (ii).

"Closing Price" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the closing bid price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg Financial L.P. (based on a Trading Day from 9:30 a.m. Eastern Time to 4:02 p.m. Eastern Time); (b) if the Common Stock is not then listed or quoted on a Trading Market and if prices for the Common Stock are then quoted on the OTC Bulletin Board, the closing bid price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board; (c) if the Common Stock is not then listed or quoted on the OTC Bulletin Board and if prices for the Common Stock are then reported in the "Pink Sheets" published by the National Quotation Bureau Incorporated (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported; or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Purchasers and reasonably acceptable to the Company.

"Collateral" has the meaning specified therefor in the Pledge and Security Agreement.

"Commission" means the Securities and Exchange Commission.

"Common Stock" means the common stock, par value $0.001 per share, of the Company and stock of any other class into which such shares may hereafter have been reclassified or changed.

"Conversion Date" shall have the meaning set forth in Section 5(a) hereof.

"Conversion Price" shall have the meaning set forth in Section 5(b).

"Conversion Shares" means the shares of Common Stock issuable upon conversion of Debentures or as payment of interest in accordance with the terms hereof.

"Copyrights" has the meaning specified therefor in the Pledge and Security Agreement.

"Copyright License" has the meaning specified therefor in the Pledge and Security Agreement.

"Dilutive Issuance" shall have the meaning set forth in Section 6(b) hereof.

"Effectiveness Period" shall have the meaning given to such term in the Registration Rights Agreement.

"Equity Conditions" shall mean, during the period in question, (i) the Company shall have duly honored all conversions and redemptions scheduled to occur or occurring by virtue of one or more Conversion Notices, if any, (ii) all liquidated damages and other amounts owing in respect of the Debentures shall have been paid; (iii) there is an effective Registration Statement pursuant to which the Holder is permitted to utilize the prospectus thereunder to resell all of the shares issuable pursuant to the Transaction Documents (and the Company believes, in good faith, that such effectiveness will continue uninterrupted for the foreseeable future), (iv) the Common Stock is trading on the Trading Market and all of the shares issuable pursuant to the Transaction Documents are listed for trading on a Trading Market (and the Company believes, in good faith, that trading of the Common Stock on a Trading Market will continue uninterrupted for the foreseeable future), (v) there is a sufficient number of authorized but unissued and otherwise unreserved shares of Common Stock for the issuance of all of the shares issuable pursuant to the Transaction Documents, (vi) there is then existing no Event of Default or event which, with the passage of time or the giving of notice, would constitute an Event of Default and (vii) all of the shares issued or issuable pursuant to the transaction documents in full, ignoring for such purposes any conversion or exercise limitation therein, would not violate the limitations set forth in Section 5(c)(ii) and (ix) no public announcement of a pending or proposed Fundamental Transaction, Change of Control Transaction or acquisition transaction has occurred that has not been consummated.

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

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fundamental Transaction" shall have the meaning set forth in Section 6(e)(iii) hereof.

"Forced Conversion" shall have the meaning set forth in Section 7(d).

"Forced Conversion Notice" shall have the meaning set forth in Section 7(d).

"Force Conversion Notice Date" shall have the meaning set forth in Section 7(d).

"Subsidiary Guaranty" means the Guaranty, dated as of September 28, 2007, made by Diomed, Inc., in favor of the Secured Parties.

"Intercreditor Agreement" means the Intercreditor Agreement, dated as of September 28, 2007, by and among the Company, Diomed, Inc., the Lender and each holder of Debentures as of September 28, 2007 and their respective successors and assigns.

"Interest Conversion Rate" means 90% of the least of (a) the average of the 5 Closing Prices immediately prior to the applicable Interest Payment Date (b) the average of the 4 Closing Prices immediately prior to the applicable Interest Payment Date, (c) the average of the 3 Closing Prices immediately prior to the applicable Interest Payment Date, (d) the average of the 2 Closing Prices immediately prior to the applicable Interest Payment Date and (e) the Closing Price immediately prior to the applicable Interest Payment Date.

"Judgment" means any judgment of the United States District Court for the District of Massachusetts or any successor court in respect of the 777 Patent Litigation.

"Late Fees" shall have the meaning set forth in the second paragraph to this Debenture.

"Lender" means Hercules Growth Capital, Inc., its successors and assigns, as the Lender under the 2007 Loan Documents.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment for security, security interest, encumbrance, lien or charge of any kind, whether voluntarily incurred or arising by operation of law or otherwise, against any property, any conditional sale or other title retention agreement, and any lease in the nature of a security interest.

"Mandatory Prepayment Amount" for any Debentures shall equal the sum of (i) the greater of: (A) 130% of the principal amount of Debentures to be prepaid, plus all accrued and unpaid interest thereon, or (B) the principal amount of Debentures to be prepaid, plus all other accrued and unpaid interest hereon, divided by the Conversion Price on (x) the date the Mandatory Prepayment Amount is demanded or otherwise due or (y) the date the Mandatory Prepayment Amount is paid in full, whichever is less, multiplied by the Closing Price on (x) the date the Mandatory Prepayment Amount is demanded or otherwise due or (y) the date the Mandatory Prepayment Amount is paid in full, whichever is greater, and (ii) all other amounts, costs, expenses and liquidated damages due in respect of such Debentures.

"Market Price" shall mean $1.91, subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of the Purchase Agreement.

"Maturity Conversion" shall have the meaning set forth in Section 7(c)(iii).

"Maturity Conversion Notice" shall have the meaning set forth in Section 7(c)(iii).

"Maturity Conversion Notice Date" shall have the meaning set forth in Section 7(c)(iii).

"Maturity Conversion Price" shall have the meaning set forth in Section 7(c)(iii).

"Optional Redemption" shall have the meaning set forth in Section 7(a).

"Optional Redemption Amount" shall mean the sum of (i) 110% of the principal amount of the Debenture then outstanding, (ii) accrued but unpaid interest and (iii) all liquidated damages and other amounts due in respect of the Debenture.

"Optional Redemption Notice" shall have the meaning set forth in Section 7(a).

"Optional Redemption Notice Date" shall have the meaning set forth in Section 7(a).

"Original Issue Date" shall mean the date of the first issuance of the Debentures regardless of the number of transfers of any Debenture and regardless of the number of instruments which may be issued to evidence such Debenture.

"Patent License" has the meaning specified therefor in the Pledge and Security Agreement.

"Patents" has the meaning specified therefor in the Pledge and Security Agreement.

"Person" means a corporation, an association, a partnership, organization, a business, an individual, a government or political subdivision thereof or a governmental agency.

"Pledge and Security Agreement" means a Pledge and Security Agreement made by a the Company in favor of the Holders, in form annexed hereto as Exhibit A, securing the obligations of the Company under the Debentures and any other Transaction Document and delivered to the Holders.

"Purchase Agreement" means the Securities Purchase Agreement, dated as of September 28, 2004, to which the Company and the original Holder are parties, as amended, modified or supplemented from time to time in accordance with its terms.

"Registration Rights Agreement" means the Registration Rights Agreement, dated as of the date of the Purchase Agreement, to which the Company and the original Holder are parties, as amended, modified or supplemented from time to time in accordance with its terms.

"Registration Statement" means a registration statement meeting the requirements set forth in the Registration Rights Agreement, covering among other things the resale of the Conversion Shares and naming the Holder as a "selling stockholder" thereunder.

"Secured Obligations" shall have the meaning set forth in Section 2(a).

"Secured Parties" means the Holder and the other holders of Debentures, together with their respective successors and assigns.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Subsidiary" shall have the meaning given to such term in the Purchase Agreement.

"Threshold Period" shall have the meaning given to such term in Section 7(d).

"Trading Day" means a day on which the Common Stock is traded on a Trading Market.

"Trading Market" means the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the Nasdaq SmallCap Market, the American Stock Exchange, the New York Stock Exchange or the Nasdaq National Market.

"Transaction Documents" shall have the meaning set forth in the Purchase Agreement.

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg Financial L.P. (based on a Trading Day from 9:30 a.m. Eastern Time to 4:02 p.m. Eastern Time); (b) if the Common Stock is not then listed or quoted on a Trading Market and if prices for the Common Stock are then quoted on the OTC Bulletin Board, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board; (c) if the Common Stock is not then listed or quoted on the OTC Bulletin Board and if prices for the Common Stock are then reported in the "Pink Sheets" published by the National Quotation Bureau Incorporated (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported; or (c) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holders and reasonably acceptable to the Company.

Section 2. Security. The Company grants to the Secured Parties a security interest, in accordance with the terms of the Pledge and Security Agreement, which shall be delivered simultaneously with this Debenture, in, all of its right, title and interest in and to the Collateral as security for the prompt payment in full of all obligations of the Company under the Debentures, whether for principal, interest, costs, fees, expenses or otherwise and whether now or hereafter existing (all of such obligations being the "Secured Obligations").

a) Borrowers Remain Liable. Anything herein to the contrary notwithstanding:

(i) each Borrower shall remain liable under the contracts and agreements to which it is a party included in the Collateral to the extent set forth therein, and shall perform all of its respective duties and obligations under such contracts and agreements to the same extent as if the security interest granted herein had not been made, and the Secured Parties shall not have any obligation or liability under any contracts or agreements included in the Collateral by reason of the security interest granted herein, nor shall any Secured Party be obligated to perform any of the obligations or duties of any Borrower thereunder or to take any action to collect or enforce any claim for payment assigned hereunder;

(ii) each Borrower shall comply in all material respects with all laws relating to the ownership and operation of the Collateral, including all registration requirements under applicable laws, and shall pay when due all taxes, fees and assessments imposed on or with respect to the Collateral, except to the extent the validity thereof is being contested in good faith by appropriate proceedings for which adequate reserves in accordance with GAAP have been set aside by the Company; and

(iii) the exercise by the Secured Parties of any of their rights hereunder shall not release the Borrowers from any of their duties or obligations under any such contracts or agreements included in the Collateral.

b) Authorization to Perfect Security Interests. Each Borrower hereby irrevocably authorizes the Secured Parties at any time and from time to time to file in any filing office in any UCC jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of such Borrower or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the UCC, or (ii) as being of an equal or lesser scope or with greater detail, and (b) provide any other information required by part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment. Each Borrower agrees to furnish any such information to the Secured Parties promptly upon request. Each Borrower also ratifies its authorization for the Secured Parties to have filed in any UCC jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

Section 3. Interest.

a) Payment of Interest in Cash or Kind. The Company shall pay interest to the Holder on the aggregate unconverted and then outstanding principal amount of this Debenture at the rate equal to the greater of (i) ten percent (10%) per annum and (ii) 500 basis points plus the most recent 6-month LIBOR (London Interbank Offered Rate), payable quarterly on March 31, June 30, September 30 and December 31, beginning on the first such date after the Original Issue Date and on each Conversion Date (as to that principal amount then being converted), on each Forced Conversion Date (as to that principal amount then being converted), on each Optional Redemption Date and on the Maturity Date (except that, if any such date is not a Business Day, then such payment shall be due on the next succeeding Business Day) (each such date, an "Interest Payment Date"), in cash or shares of Common Stock, or a combination of cash and shares of Common Stock, at the Interest Conversion Rate, or a combination thereof; provided, however, payment in shares of Common Stock may only occur if during the 20 Trading Days immediately prior to the applicable Interest Payment Date all of the Equity Conditions have been met.

b) Company's Election to Pay Interest in Kind. Subject to the terms and conditions herein, the decision whether to pay interest hereunder in shares of Common Stock or cash shall be at the discretion of the Company. Not less than 20 Trading Days prior to each Interest Payment Date (the "Interest Payment Notice Date"), the Company shall provide the Holder with written notice of its election to pay interest hereunder either in cash or shares of Common Stock (the Company may indicate in such notice that the election contained in such notice shall continue for later periods until revised) and the exact combination thereof. Within 20 Trading Days prior to an Interest Payment Date, the Company's election (whether specific to an Interest Payment Date or continuous) shall be irrevocable as to such Interest Payment Date. Subject to the aforementioned conditions, failure to timely provide such written notice shall be deemed an election by the Company to pay the interest on such Interest Payment Date in cash. The Company's determination of whether to pay interest in cash or shares shall be applied ratably to the Holders.

c) Interest Calculations. Interest shall be calculated on the basis of a 360-day year and shall accrue daily commencing on the Original Issue Date until payment in full of the principal sum, together with all accrued and unpaid interest and other amounts which may become due hereunder, has been made. Payment of interest in shares of Common Stock shall otherwise occur pursuant to Section 5(d)(ii) and only for purposes of the payment of interest in shares, the Interest Payment Date shall be deemed the Conversion Date. Interest shall cease to accrue with respect to any principal amount converted, provided that the Company in fact delivers the Conversion Shares within the time period required by Section 5(d)(ii). Interest hereunder will be paid to the Person in whose name this Debenture is registered on the records of the Company regarding registration and transfers of Debentures (the "Debenture Register"). Except as otherwise provided herein, if at any time the Company pays interest partially in cash and partially in shares of Common Stock, then such payment shall be distributed ratably among the Holders based upon the principal amount of Debentures held by each Holder.

d) Late Fee. All overdue accrued and unpaid interest to be paid hereunder shall entail a late fee at the rate of 18% per annum (or such lower maximum amount of interest permitted to be charged under applicable law) ("Late Fee") which will accrue daily, from the date such interest is due hereunder through and including the date of payment. Notwithstanding anything to the contrary contained herein, if on any Interest Payment Date the Company has elected to pay interest in Common Stock and is not able to pay accrued interest in the form of Common Stock because it does not then satisfy the conditions for payment in the form of Common Stock set forth above, then, at the option of the Holder, the Company, in lieu of delivering either shares of Common Stock pursuant to this Section 3 or paying the regularly scheduled cash interest payment, shall deliver, within three Trading Days of each applicable Interest Payment Date, an amount in cash equal to the product of the number of shares of Common Stock otherwise deliverable to the Holder in connection with the payment of interest due on such Interest Payment Date and the highest Closing Price during the period commencing on the Interest Payment Date and ending on the Trading Day prior to the date such payment is made.

e) Prepayment. Except as otherwise set forth in this Debenture, the Company may not prepay any portion of the principal amount of this Debenture without the prior written consent of the Holder.

Section 4. Registration of Transfers and Exchanges.

a) Different Denominations. This Debenture is exchangeable for an equal aggregate principal amount of Debentures of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be made for such registration of transfer or exchange.

b) Investment Representations. This Debenture has been issued subject to certain investment representations of the original Holder set forth in the Purchase Agreement and may be transferred or exchanged only in compliance with the Purchase Agreement and applicable federal and state securities laws and regulations.

c) Reliance on Debenture Register. Prior to due presentment to the Company for transfer of this Debenture, the Company and any agent of the Company may treat the Person in whose name this Debenture is duly registered on the Debenture Register as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Debenture is overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

Section 5. Conversion.

a) Voluntary Conversion. At any time after the Original Issue Date until this Debenture is no longer outstanding, this Debenture shall be convertible into shares of Common Stock at the option of the Holder, in whole or in part at any time and from time to time (subject to the limitations on conversion set forth in Section 5(c) hereof). The Holder shall effect conversions by delivering to the Company the form of Notice of Conversion attached hereto as Annex A (a "Notice of Conversion"), specifying therein the principal amount of Debentures to be converted and the date on which such conversion is to be effected (a "Conversion Date"). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the date that such Notice of Conversion is received by the Company pursuant to Section 10(a) hereunder. To effect conversions hereunder, the Holder shall not be required to physically surrender Debentures to the Company unless the entire principal amount of this Debenture plus all accrued and unpaid interest thereon has been so converted. Conversions hereunder shall have the effect of lowering the outstanding principal amount of this Debenture in an amount equal to the applicable conversion. The Holder and the Company shall maintain records showing the principal amount converted and the date of such conversions. The Company shall deliver any objection to any Notice of Conversion within 2 Business Days of receipt of such notice. The Holder and any assignee, by acceptance of this Debenture, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Debenture, the unpaid and unconverted principal amount of this Debenture may be less than the amount stated on the face hereof.

b) Conversion Price. The conversion price in effect on any Conversion Date shall be equal to $0.70, subject to adjustment herein (the "Conversion Price").

c) Holder's Restriction on Conversion.

a. The Holder shall not have the right to convert any portion of this Debenture, pursuant to Section 5(a) or otherwise, to the extent that after giving effect to such conversion, the Holder (together with the Holder's affiliates), as set forth on the applicable Notice of Conversion, would beneficially own in excess of 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to such conversion. For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its affiliates shall include the number of shares of Common Stock issuable upon conversion of this Debenture with respect to which the determination of such sentence is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (A) conversion of the remaining, nonconverted portion of this Debenture beneficially owned by the Holder or any of its affiliates and (B) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Debentures or the Warrants) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its affiliates. Except as set forth in the preceding sentence, for purposes of this Section 5(c), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act. To the extent that the limitation contained in this section applies, the determination of whether this Debenture is convertible (in relation to other securities owned by the Holder) and of which a portion of this Debenture is convertible shall be in the sole discretion of such Holder. To ensure compliance with this restriction, the Holder will be deemed to represent to the Company each time it delivers a Notice of Conversion that such Notice of Conversion has not violated the restrictions set forth in this paragraph and the Company shall have no obligation to verify or confirm the accuracy of such determination. For purposes of this Section 5(c), in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as reflected in (x) the Company's most recent Form 10-QSB or Form 10-KSB, as the case may be, (y) a more recent public announcement by the Company or (z) any other notice by the Company or the Company's Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of the Holder, the Company shall within two Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Debenture, by the Holder or its affiliates since the date as of which such number of outstanding shares of Common Stock was reported.

b. The Company shall not effect any conversion of this Debenture pursuant to Section 5(a) or otherwise, to the extent that after giving effect to such conversion, the Holder (together with the Holder's affiliates), as set forth on the applicable Notice of Conversion, would beneficially own in excess of 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to such conversion. For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its affiliates shall include the number of shares of Common Stock issuable upon conversion of this Debenture with respect to which the determination of such sentence is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (A) conversion of the remaining, nonconverted portion of this Debenture beneficially owned by the Holder or any of its affiliates and (B) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Debentures or the Warrants) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its affiliates. Except as set forth in the preceding sentence, for purposes of this Section 5(c), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act. To the extent that the limitation contained in this section applies, the determination of whether this Debenture is convertible (in relation to other securities owned by the Holder) and of which a portion of this Debenture is convertible shall be in the sole discretion of such Holder. To ensure compliance with this restriction, the Holder will be deemed to represent to the Company each time it delivers a Notice of Conversion that such Notice of Conversion has not violated the restrictions set forth in this paragraph and the Company shall have no obligation to verify or confirm the accuracy of such determination. For purposes of this Section 5(c), in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as reflected in (x) the Company's most recent Form 10-QSB or Form 10-KSB, as the case may be, (y) a more recent public announcement by the Company or (z) any other notice by the Company or the Company's Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of the Holder, the Company shall within two Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Debenture, by the Holder or its affiliates since the date as of which such number of outstanding shares of Common Stock was reported.

d) Mechanics of Conversion.

i. Conversion Shares Issuable Upon Conversion of Principal Amount. The number of shares of Common Stock issuable upon a conversion hereunder shall be determined by the quotient obtained by dividing (x) the outstanding principal amount of this Debenture to be converted as set forth in the applicable Notice of Conversion by (y) the Conversion Price.

ii. Delivery of Certificate Upon Conversion. Not later than three Trading Days after any Conversion Date, the Company will deliver to the Holder (A) a certificate or certificates representing the Conversion Shares which shall be free of restrictive legends and trading restrictions (other than those required by the Purchase Agreement) representing the number of shares of Common Stock being acquired upon the conversion of Debentures (including, if so timely elected by the Company, shares of Common Stock representing the payment of accrued interest) and (B) a bank check in the amount of accrued and unpaid interest (if the Company is required to pay accrued interest in cash). The Company shall, if available and if allowed under applicable securities laws, use its best efforts to deliver any certificate or certificates required to be delivered by the Company under this Section electronically through the Depository Trust Corporation or another established clearing corporation performing similar functions.

iii. Failure to Deliver Certificates. If in the case of any Notice of Conversion such certificate or certificates are not delivered to or as directed by the applicable Holder by the fifth Trading Day after a Conversion Date, the Holder shall be entitled by written notice to the Company at any time on or before its receipt of such certificate or certificates thereafter, to rescind such conversion, in which event the Company shall immediately return the certificates representing the principal amount of Debentures tendered for conversion.

iv. Partial Liquidated Damages. If the Company fails for any reason to deliver to the Holder such certificate or certificates pursuant to Section 5(d)(ii) by the third Trading Day after the Conversion Date, the Company shall pay to such Holder, in cash upon demand of such Holder, as liquidated damages and not as a penalty, for each $1000 of principal amount being converted, $10 per Trading Day (increasing to $20 per Trading Day after 10 Trading Days after such damages begin to accrue) for each Trading Day after such third Trading Day until such certificates are delivered. The Company's obligations to issue and deliver the Conversion Shares upon conversion of this Debenture in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with the issuance of such Conversion Shares; provided, however, such delivery shall not operate as a waiver by the Company of any such action the Company may have against the Holder. In the event a Holder of this Debenture shall elect to convert any or all of the outstanding principal amount hereof, the Company may not refuse conversion based on any claim that the Holder or any one associated or affiliated with the Holder of has been engaged in any violation of law, agreement or for any other reason, unless, an injunction from a court, on notice, restraining and or enjoining conversion of all or part of this Debenture shall have been sought and obtained and the Company posts a surety bond for the benefit of the Holder in the amount of 150% of the principal amount of this Debenture outstanding, which is subject to the injunction, which bond shall remain in effect until the completion of arbitration/litigation of the dispute and the proceeds of which shall be payable to such Holder to the extent it obtains judgment. In the absence of an injunction precluding the same, the Company shall issue Conversion Shares or, if applicable, cash, upon a properly noticed conversion. Nothing herein shall limit a Holder's right to pursue actual damages or declare an Event of Default pursuant to Section 9 herein for the Company's failure to deliver Conversion Shares within the period specified herein and such Holder shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief. The exercise of any such rights shall not prohibit the Holders from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

v. Failure to Timely Deliver Certificates Upon Conversion. In addition to any other rights available to the Holder, if the Company fails for any reason to deliver to the Holder such certificate or certificates pursuant to Section 5(d)(ii) by the third Trading Day after the Conversion Date, and if after such third Trading Day the Holder is required by its brokerage firm to purchase (in an open market transaction or otherwise) Common Stock to deliver in satisfaction of a sale by such Holder of the Conversion Shares which the Holder anticipated receiving upon such conversion (a "Buy-In"), then the Company shall (A) pay in cash to the Holder (in addition to any remedies available to or elected by the Holder) the amount by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the Common Stock so purchased exceeds (y) the product of (1) the aggregate number of shares of Common Stock that such Holder anticipated receiving from the conversion at issue multiplied by (2) the actual sale price of the Common Stock at the time of the sale (including brokerage commissions, if any) giving rise to such purchase obligation and (B) at the option of the Holder, either reissue Debentures in principal amount equal to the principal amount of the attempted conversion or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its delivery requirements under Section 5(d)(ii). For example, if the Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted conversion of Debentures with respect to which the actual sale price of the Conversion Shares at the time of the sale (including brokerage commissions, if any) giving rise to such purchase obligation was a total of $10,000 under clause (A) of the immediately preceding sentence, the Company shall be required to pay the Holder $1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In. Notwithstanding anything contained herein to the contrary, if a Holder requires the Company to make payment in respect of a Buy-In for the failure to timely deliver certificates hereunder and the Company timely pays in full such payment, the Company shall not be required to pay such Holder liquidated damages under Section 5(d)(iv) in respect of the certificates resulting in such Buy-In.

vi. Reservation of Shares Issuable Upon Conversion. The Company covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock solely for the purpose of issuance upon conversion of the Debentures and payment of interest on the Debenture, each as herein provided, free from preemptive rights or any other actual contingent purchase rights of persons other than the Holders, not less than such number of shares of the Common Stock as shall (subject to any additional requirements of the Company as to reservation of such shares set forth in the Purchase Agreement) be issuable (taking into account the adjustments and restrictions of Section 6) upon the conversion of the outstanding principal amount of the Debentures and payment of interest hereunder. The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly and validly authorized, issued and fully paid, nonassessable and, if the Registration Statement is then effective under the Securities Act, registered for public sale in accordance with such Registration Statement.

vii. Fractional Shares. Upon a conversion hereunder the Company shall not be required to issue stock certificates representing fractions of shares of the Common Stock, but may if otherwise permitted, make a cash payment in respect of any final fraction of a share based on the Closing Price at such time. If the Company elects not, or is unable, to make such a cash payment, the Holder shall be entitled to receive, in lieu of the final fraction of a share, one whole share of Common Stock.

viii. Transfer Taxes. The issuance of certificates for shares of the Common Stock on conversion of the Debentures shall be made without charge to the Holders thereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificate, provided that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holder of such Debentures so converted and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

Section 6. Certain Adjustments.

a) Stock Dividends and Stock Splits. If the Company, at any time while the Debentures are outstanding: (A) shall pay a stock dividend or otherwise make a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company pursuant to this Debenture, including as interest thereon), (B) subdivide outstanding shares of Common Stock into a larger number of shares, (C) combine (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (D) issue by reclassification of shares of the Common Stock any shares of capital stock of the Company, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding before such event and of which the denominator shall be the number of shares of Common Stock outstanding after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Subsequent Equity Sales. If the Company or any Subsidiary thereof, as applicable, at any time while Debentures are outstanding, shall offer, sell, grant any option to purchase or offer, sell or grant any right to reprice its securities, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any Common Stock or Common Stock Equivalents entitling any Person to acquire shares of Common Stock, at an effective price per share less than the then Conversion Price ("Dilutive Issuance"), as adjusted hereunder (if the holder of the Common Stock or Common Stock Equivalents so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which is issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share which is less than the Conversion Price, such issuance shall be deemed to have occurred for less than the Conversion Price), then the Conversion Price shall be reduced to equal the effective conversion, exchange or purchase price for such Common Stock or Common Stock Equivalents (including any reset provisions thereof) at issue. Such adjustment shall be made whenever such Common Stock or Common Stock Equivalents are issued and this provision is invoked. The Company shall notify the Holder in writing, no later than three business days following the issuance of any Common Stock or Common Stock Equivalents subject to this section, indicating therein the applicable issuance price, or of applicable reset price, exchange price, conversion price and other pricing terms.

c) Pro Rata Distributions. If the Company, at any time while Debentures are outstanding, shall distribute to all holders of Common Stock (and not to Holders) evidences of its indebtedness or assets or rights or warrants to subscribe for or purchase any security, then in each such case the Conversion Price shall be determined by multiplying such Conversion Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the Closing Price determined as of the record date mentioned above, and of which the numerator shall be such Closing Price on such record date less the then fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of the Common Stock as determined by the Board of Directors in good faith and considering the value to be received by the Company for the proceeds, if any, of the exercise of the rights or issuance of the indebtedness giving rise to the adjustment of the Conversion Price hereunder. In either case the adjustments shall be described in a statement provided to the Holders of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

d) Calculations. All calculations under this Section 6 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 6, the number of shares of Common Stock outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) outstanding.

e) Notice to Holders.

i. Adjustment to Conversion Price. Whenever the Conversion Price is adjusted pursuant to any of this Section 6, the Company shall promptly mail to each Holder a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment. If the Company issues a variable rate security, despite the prohibition thereon in the Purchase Agreement, the Company shall be deemed to have issued Common Stock or Common Stock Equivalents at the lowest possible conversion or exercise price at which such securities may be converted or exercised in the case of a Variable Rate Transaction (as defined in the Purchase Agreement), or the lowest possible adjustment price in the case of an MFN Transaction (as defined in the Purchase Agreement).

ii. Notice to Allow Conversion by Holder. If (A) the Company shall declare a dividend (or any other distribution) on the Common Stock; (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock; (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights; (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, of any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property; (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company; then, in each case, the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of the Debentures, and shall cause to be mailed to the Holders at their last addresses as they shall appear upon the stock books of the Company, at least 20 calendar days 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, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. Holders are entitled to convert Debentures during the 20-day period commencing the date of such notice to the effective date of the event triggering such notice.

iii. Fundamental Transaction. If, at any time while this Debenture is outstanding, (A) the Company effects any merger or consolidation of the Company with or into another Person, (B) the Company effects any sale of all or substantially all of its assets in one or a series of related transactions, (C) any tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, or (D) the Company effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (in any such case, a "Fundamental Transaction"), then upon any subsequent conversion of this Debenture, the Holder shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion absent such Fundamental Transaction, the same kind and amount of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of one share of Common Stock (the "Alternate Consideration"). For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any conversion of this Debenture following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Company or surviving entity in such Fundamental Transaction shall issue to the Holder a new debenture consistent with the foregoing provisions and evidencing the Holder's right to convert such debenture into Alternate Consideration. The terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this paragraph (c) and insuring that this Debenture (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction.

iv. Exempt Issuance. Notwithstanding the foregoing, no adjustment will be made under this Section 6 in respect of an Exempt Issuance.

Section 7. Redemption and Forced Conversion.

a) Optional Redemption at Election of Company. Subject to the provisions of this Section 7, if at any time after the 1 year anniversary of the Effective Date each of the Closing Prices during any 20 consecutive Trading Day period is less than the then Conversion Price (such period commencing only after such anniversary date, such period the "Redemption Threshold Period"), the Company may, within 1 Trading Day of any Redemption Threshold Period, deliver a notice to the Holders (an "Optional Redemption Notice" and the date such notice is deemed delivered hereunder, the "Optional Redemption Notice Date") of its irrevocable election to redeem on the 20th Trading Day following the Optional Redemption Notice Date (such date, the "Optional Redemption Date" and such redemption, the "Optional Redemption") all of the then outstanding Debentures, for an amount, in cash, equal to the Optional Redemption Amount. The Optional Redemption Amount is due in full on the Optional Redemption Date. The Company may only effect an optional redemption if during the Redemption Threshold Period through to the Optional Redemption Date, each of the Equity Conditions shall have been met. If any of the Equity Conditions shall cease to be satisfied at any time during the required period, then the Holder may elect to nullify the Optional Redemption Notice by notice to the Company within 3 Trading Days after the first day on which any such Equity Condition has not been met (provided that if, by a provision of the Transaction Documents the Company is obligated to notify the Holder of the non-existence of an Equity Condition, such notice period shall be extended to the third Trading Day after proper notice from the Company) in which case the Optional Redemption Notice shall be null and void, ab initio. Any election by the Company under this Section 7(a) shall require the redemption of all Debentures.

b) Redemption Procedure. The payment of cash pursuant to an Optional Redemption shall be made on the Optional Redemption Date. If any portion of the cash payment for an Optional Redemption shall not be paid by the Company by the respective due date, interest shall accrue thereon at the rate of 18% per annum (or the maximum rate permitted by applicable law, whichever is less) until the Optional Redemption Amount, plus all amounts owing thereon is paid in full. Alternatively, if any portion of the Optional Redemption Amount remains unpaid after such date, the Holders may elect, by written notice to the Company given at any time thereafter, to invalidate ab initio such redemption, notwithstanding anything herein contained to the contrary, and, with respect the failure to honor the Optional Redemption, the Company shall have no further right to exercise such Optional Redemption. The Holder may elect to convert the outstanding principal amount of the Debenture pursuant to Section 5 prior to actual payment in cash for any redemption under this Section 7 by fax delivery of a Notice of Conversion to the Company. The Company covenants and agrees that it will honor all Conversion Notices tendered from the time of delivery of the Optional Redemption Notice through the date all amounts owing thereon are due and paid in full.

c) Forced Conversion.

i. Notwithstanding anything herein to the contrary, if after the 1 year anniversary of the Effective Date each of the Closing Prices for any 20 consecutive Trading Days (such period commencing only after such anniversary date, such period the "Conversion Threshold Period")) equals or exceeds 175% of the then Conversion Price, the Company may, within 1 Trading Day of the end of any Conversion Threshold Period, deliver a notice to the Holder (a "Forced Conversion Notice" and the date such notice is received by the Holder, the "Forced Conversion Notice Date") to cause the Holder to immediately convert all or part of the then outstanding principal amount of Debentures pursuant to Sections 5(a) and 5(b). The Company may only effect a Forced Conversion Notice if all of the Equity Conditions are met through the Conversion Threshold Period until the date of the applicable Forced Conversion. Any Forced Conversion shall be applied ratably to all Holders based on their initial purchases of Debentures pursuant to the Purchase Agreement.

ii. Notwithstanding anything herein to the contrary, if during the period beginning on the 80th Trading Day prior to the Maturity Date until the 60th Trading Day prior to the Maturity Date the average daily trading volume of the Common Stock equals or exceeds 65,000 (subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement) (such period the "Maturity Threshold Period"), the Company may, within 1 Trading Day of the end of such Threshold Period, deliver a notice to the Holder (a "Maturity Conversion Notice" and the date such notice is received by the Holder, the "Maturity Conversion Notice Date") to cause the Holder to immediately convert all of the then outstanding principal amount of Debentures pursuant to Section 5(a) (the "Maturity Conversion"); provided, however, the conversion price for such Maturity Conversion shall be equal to the lesser of (x) the then Conversion Price and (y) 90% of the average of the VWAPs for the 20 Trading Days immediately prior to the Maturity Date (the "Maturity Conversion Price"). The Company may only effect a Maturity Conversion Notice if all of the Equity Conditions are met through the Threshold Period until the date of the applicable Maturity Conversion. Any Maturity Conversion shall be applied ratably to all Holders based on their initial purchases of Debentures pursuant to the Purchase Agreement.

Section 8. Negative Covenants. So long as 10% of the principal amount of this Debenture is outstanding, the Company will not and will not permit any of its Subsidiaries to directly or indirectly:

a) enter into, create, incur, assume or suffer to exist any indebtedness or liens of any kind, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom that is senior to, or pari passu with, in any respect, the Company's obligations under the Debentures, excluding purchase money security interests granted to suppliers to the Company and any of the foregoing that are made in the ordinary course of business of the Company and its Subsidiaries;

b) amend its certificate of incorporation, bylaws or to her charter documents so as to adversely affect any rights of the Holder;

c) repay, repurchase or offer to repay, repurchase or otherwise acquire more than a de minimis number of shares of its Common Stock or other equity securities other than as to the Conversion Shares to the extent permitted or required under the Transaction Documents or as otherwise permitted by the Transaction Documents; or

d) enter into any agreement with respect to any of the foregoing.

Section 9. Events of Default.

a) "Event of Default," wherever used herein, means any one of the following events (whatever the reason and whether it shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

i. any default in the payment of (A) the principal of amount of any Debenture, or (B) interest (including Late Fees) on, or liquidated damages in respect of, any Debenture, in each case free of any claim of subordination, as and when the same shall become due and payable (whether on a Conversion Date or the Maturity Date or by acceleration or otherwise) which default, solely in the case of an interest payment or other default under clause (B) above, is not cured, within 3 Trading Days;

ii. the Company shall fail to observe or perform any other covenant or agreement contained in this Debenture, the Pledge and Security Agreement or any of the other Transaction Documents (other than a breach by the Company of its obligations to deliver shares of Common Stock to the Holder upon conversion which breach is addressed in clause (xii) below) which failure is not cured, if possible to cure, within the earlier to occur of (A) 5 Trading Days after notice of such default sent by the Holder or by any other Holder and (B)10 Trading Days after the Company shall become or should have, with the exercise of reasonable care, become aware of such failure;

iii. a default or event of default shall occur under (A) any of the Transaction Documents other than the Debentures, (B) any 2007 Loan Document (including the 2007 Loan Agreement) or (C) any other material agreement, lease, document or instrument to which the Company or any Subsidiary is bound and which is not covered during the applicable cure period;

iv. any representation or warranty made herein, in the Pledge and Security Agreement, the Subsidiary Guaranty, any other Transaction Document, in any written statement pursuant hereto or thereto, or in any other report, financial statement or certificate made or delivered to the Holder or any other holder of Debentures shall be untrue or incorrect in any material respect as of the date when made or deemed made;

v. (i) the Company or any of its Subsidiaries shall commence, or there shall be commenced against the Company or any such Subsidiary, a case under any applicable bankruptcy or insolvency laws as now or hereafter in effect or any successor thereto, or the Company or any Subsidiary commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to the Company or any Subsidiary thereof or (ii) there is commenced against the Company or any Subsidiary thereof any such bankruptcy, insolvency or other proceeding which remains undismissed for a period of 60 days; or (iii) the Company or any Subsidiary thereof is adjudicated by a court of competent jurisdiction insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or (iv) the Company or any Subsidiary thereof suffers any appointment of any custodian or the like for it or any substantial part of its property which continues undischarged or unstayed for a period of 60 days; or (v) the Company or any Subsidiary thereof makes a general assignment for the benefit of creditors; or (vi) the Company shall fail to pay, or shall state that it is unable to pay, or shall be unable to pay, its debts generally as they become due; or (vii) the Company or any Subsidiary thereof shall call a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts; or (viii) the Company or any Subsidiary thereof shall by any act or failure to act expressly indicate its consent to, approval of or acquiescence in any of the foregoing; or (ix) any corporate or other action is taken by the Company or any Subsidiary thereof for the purpose of effecting any of the foregoing;

vi. the Company or any Subsidiary shall default in any of its obligations under any mortgage, credit agreement or other facility, indenture agreement, factoring agreement or other instrument under which there may be issued, or by which there may be secured or evidenced any indebtedness for borrowed money or money due under any long term leasing or factoring arrangement of the Company in an amount exceeding $150,000, whether such indebtedness now exists or shall hereafter be created and such default shall result in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable;

vii. the Common Stock shall not be eligible for quotation on or quoted for trading on a Trading Market and shall not again be eligible for and quoted or listed for trading thereon within five Trading Days;

viii. the Company shall be a party to any Change of Control Transaction or Fundamental Transaction, shall agree to sell or dispose of all or in excess of 40% of its assets in one or more transactions (whether or not such sale would constitute a Change of Control Transaction) or shall redeem or repurchase more than a de minimis number of its outstanding shares of Common Stock or other equity securities of the Company (other than redemptions of Conversion Shares and repurchases of shares of Common Stock or other equity securities of departing officers and directors of the Company; provided such repurchases shall not exceed $100,000, in the aggregate, for all officers and directors during the term of this Debenture) or the Company or any of its Subsidiaries shall sell, pledge, dispose of or otherwise encumber any of its respective Intellectual Property Rights; provided, however, that nothing contained in this subsection 9(a)(viii) shall be deemed to limit the Company's ability to license its Intellectual Property or abandon or discontinue prosecution of any of its Intellectual Property in the ordinary course of its business;

ix. a Registration Statement shall not have been declared effective by the Commission on or prior to the 180th calendar day after the Closing Date or any other or any other Event (as defined in the Registration Rights Agreement);

x. if, during the Effectiveness Period (as defined in the Registration Rights Agreement), the effectiveness of the Registration Statement lapses for any reason or the Holder shall not be permitted to resell Registrable Securities (as defined in the Registration Rights Agreement) under the Registration Statement, in either case, for more than 30 consecutive Trading Days or 60 non-consecutive Trading Days during any 12 month period; provided, however, that in the event that the Company is negotiating a merger, consolidation, acquisition or sale of all or substantially all of its assets or a similar transaction and in the written opinion of counsel to the Company, the Registration Statement, would be required to be amended to include information concerning such transactions or the parties thereto that is not available or may not be publicly disclosed at the time, the Company shall be permitted an additional 30 consecutive Trading Days one-time during any 12 month period relating to such an event;

xi. an Event (as defined in the Registration Rights Agreement) shall not have been cured to the satisfaction of the Holder prior to the expiration of thirty days from the Event Date (as defined in the Registration Rights Agreement) relating thereto (other than an Event resulting from a failure of an Registration Statement to be declared effective by the Commission on or prior to the Effectiveness Date (as defined in the Registration Rights Agreement), which shall be covered by Section 9(a)(ix);

xii. the Company shall fail for any reason to deliver certificates to a Holder prior to the fifth Trading Day after a Conversion Date pursuant to and in accordance with Section 5(d) or the Company shall provide notice to the Holder, including by way of public announcement, at any time, of its intention not to comply with requests for conversions of any Debentures in accordance with the terms hereof;

xiii. the Company shall fail for any reason to pay in full the amount of cash due pursuant to a Buy-In within 7 Trading Days after notice therefor is delivered hereunder or shall fail to pay all amounts owed on account of an Event of Default within five days of the date due;

xiv. the Company shall fail to have available a sufficient number of authorized and unreserved shares of Common Stock to issue to such Holder upon a conversion hereunder; or

xv. the Pledge and Security Agreement or any other security document shall for any reason fail or cease to create a valid and perfected and, except to the extent permitted by the terms hereof or thereof, first priority Lien in favor of the Secured Parties on any Collateral purported to be covered thereby.

b) Remedies Upon Event of Default. If any Event of Default occurs, the full principal amount of this Debenture, together with interest and other amounts owing in respect thereof, to the date of acceleration shall become, at the Holder's election, immediately due and payable in cash. The aggregate amount payable upon an Event of Default shall be equal to the Mandatory Prepayment Amount. Commencing 5 days after the occurrence of any Event of Default that results in the eventual acceleration of this Debenture, the interest rate on this Debenture shall accrue at the rate of 18% per annum, or such lower maximum amount of interest permitted to be charged under applicable law. All Debentures for which the full Mandatory Prepayment Amount hereunder shall have been paid in accordance herewith shall promptly be surrendered to or as directed by the Company. The Holder need not provide and the Company hereby waives any presentment, demand, protest or other notice of any kind, and the Holder may immediately and without expiration of any grace period enforce any and all of its rights and remedies hereunder and all other remedies available to it under applicable law. Such declaration may be rescinded and annulled by the Holder at any time prior to payment hereunder and the Holder shall have all rights as a Debenture holder until such time, if any, as the full payment under this Section shall have been received by it. No such rescission or annulment shall affect any subsequent Event of Default or impair any right consequent thereon. In addition, upon and during the continuance of any one or more Events of Default, the Holder may exercise all rights and remedies with respect to the Collateral under the Loan Documents or otherwise available to it under the UCC and other applicable law, including the right to release, hold, sell, lease, liquidate, collect, realize upon, or otherwise dispose of all or any part of the Collateral and the right to occupy, utilize, process and commingle the Collateral. The Holder's rights and remedies under this Section shall be cumulative and not exclusive.

c) Collection; Foreclosure. Upon the occurrence and during the continuance of any Event of Default, the Holder may, at any time or from time to time, apply, collect, liquidate, sell in one or more sales, lease or otherwise dispose of, any or all of the Collateral, in its then condition or following any commercially reasonable preparation or processing, in such order as the Holder may elect. Any such sale may be made either at public or private sale at its place of business or elsewhere. Each Borrower agrees that any such public or private sale may occur upon ten (10) calendar days' prior written notice to the Company. The Holder may require any Borrower to assemble the Collateral and make it available to the Holder at a place designated by the Holder that is reasonably convenient to the Holder and such Borrower. The proceeds of any sale, disposition or other realization upon all or any part of the Collateral shall be applied by the Holder in the following order of priorities:

First, to the Holder in an amount equal to the then unpaid amount of the Secured Obligations, in such order and priority as the Holder may choose in its sole discretion; and

Second, after the full, final, and indefeasible payment in Cash of all of the Secured Obligations, to the Company or as a court of competent jurisdiction may direct.

The Holder shall be deemed to have acted reasonably in the custody, preservation and disposition of any of the Collateral if it complies with the obligations of a secured party under the UCC.

Section 10. Miscellaneous.

a) Notices. Any and all notices or other communications or deliveries to be provided by the Holders or by the Company hereunder, including, without limitation, any Notice of Conversion, shall be made in accordance with Section 6.4 of the Purchase Agreement.

b) Absolute Obligation. Except as expressly provided herein, no provision of this Debenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, interest and liquidated damages (if any) on, this Debenture at the time, place, and rate, and in the coin or currency, herein prescribed. This Debenture is a direct debt obligation of the Company. This Debenture ranks pari passu with all other Debentures now or hereafter issued under the terms set forth herein.

c) Lost or Mutilated Debenture. If this Debenture shall be mutilated, lost, stolen or destroyed, the Company shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated Debenture, or in lieu of or in substitution for a lost, stolen or destroyed Debenture, a new Debenture for the principal amount of this Debenture so mutilated, lost, stolen or destroyed but only upon receipt of evidence of such loss, theft or destruction of such Debenture, and of the ownership hereof, and indemnity, if requested, all reasonably satisfactory to the Company.

d) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Debenture shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by any of the Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, employees or agents) shall be commenced in the state and federal courts sitting in the City of New York, Borough of Manhattan (the "New York Courts"). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, or such New York Courts are improper or inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Debenture and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Debenture or the transactions contemplated hereby. If either party shall commence an action or proceeding to enforce any provisions of this Debenture, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its attorneys fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

e) Waiver. Any waiver by the Company or the Holder of a breach of any provision of this Debenture shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Debenture. The failure of the Company or the Holder to insist upon strict adherence to any term of this Debenture on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Debenture. Any waiver must be in writing.

f) Severability. If any provision of this Debenture is invalid, illegal or unenforceable, the balance of this Debenture shall remain in effect, and if any provision is inapplicable to any person or circumstance, it shall nevertheless remain applicable to all other persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates applicable laws governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum permitted rate of interest. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of or interest on this Debenture as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this indenture, and the Company (to the extent it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impeded the execution of any power herein granted to the Holder, but will suffer and permit the execution of every such as though no such law has been enacted.

g) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

h) Headings. The headings contained herein are for convenience only, do not constitute a part of this Debenture and shall not be deemed to limit or affect any of the provisions hereof.

****

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Debenture to be duly executed by a duly authorized officer as of the date first above indicated.

DIOMED HOLDINGS, INC.

By: _____

Name: David B. Swank
Title: Chief Financial Officer

[Signature Page to Amended and Restated Variable Rate
Secured Subordinated Convertible Debenture]

ANNEX A

NOTICE OF CONVERSION

The undersigned hereby elects to convert principal under the Variable Rate Convertible Debenture of Diomed Holdings, Inc.., a Delaware corporation (the "Company"), due on October 25, 2008, into shares of common stock, par value $0.001 per share (the "Common Stock"), of the Company according to the conditions hereof, as of the date written below. If shares 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 and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the holder for any conversion, except for such transfer taxes, if any.

By the delivery of this Notice of Conversion the undersigned represents and warrants to the Company that its ownership of the Company's Common Stock does not exceed the amounts determined in accordance with Section 13(d) of the Exchange Act, as further specified under Section 5(c) of this Debenture.

The undersigned agrees to comply with the prospectus delivery requirements under the applicable securities laws in connection with any transfer of the aforesaid shares of Common Stock.

Conversion calculations:

Date to Effect Conversion:

Principal Amount of Debentures to be Converted:

Payment of Interest in Common Stock __ yes __ no
If yes, $_____ of Interest Accrued on Account of
Conversion at Issue.

Number of shares of Common Stock to be issued:

Signature:

Name:

Address:

Schedule 1

CONVERSION SCHEDULE

The Variable Rate Secured Subordinated Convertible Debentures due on October 25, 2008, in the aggregate principal amount of $_____ issued by Diomed Holdings, Inc. This Conversion Schedule reflects conversions made under Section 5 of the above referenced Debenture.

Dated:

Date of Conversion (or for first entry, Original Issue Date)	Amount of Conversion	Aggregate Principal Amount Remaining Subsequent to Conversion (or original Principal Amount)	Company Attest

Exhibit A

Form of Pledge and Security Agreement

STOCK PLEDGE AGREEMENT

THIS STOCK PLEDGE AGREEMENT ("*Pledge Agreement*") is made this 28th day of September, 2007 by DIOMED HOLDINGS, INC. and DIOMED, INC., each a Delaware corporation (each a "*Pledgor*" and together, the "*Pledgors*"), in favor of HERCULES TECHNOLOGY GROWTH CAPITAL, INC. ("*Pledgee*").

WHEREAS**,** each Pledgor has concurrently herewith entered into that certain Loan and Security Agreement dated as of September 28th, 2007 (as amended and in effect from time to time, the "*Loan Agreement*") with Pledgee pursuant to which Pledgee has agreed to make certain advances of money and to extend certain financial accommodations to Pledgor (collectively, the "*Loan*"), subject to the terms and conditions set forth therein;

WHEREAS**,** each Pledgor owns the percentage of the outstanding stock set forth beside the entities listed on Exhibit A attached hereto (which may be amended, updated, or otherwise modified from time to time);

WHEREAS**,** Pledgee is willing to make the Loan to Pledgor, but only upon the condition, among others, that each Pledgor shall have executed and delivered to Pledgee this Pledge Agreement and the Pledged Collateral (as defined below);

NOW, THEREFORE**,** in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, each Pledgor hereby agrees as follows:

1. All capitalized terms used but not otherwise defined herein shall have the meanings given them in the Loan Agreement.

2. As security for the full, prompt and complete payment and performance when due (whether by stated maturity, by acceleration or otherwise) of all the Secured Obligations, together with, without limitation, the prompt payment of all expenses, including, without limitation, reasonable attorneys' fees and legal expenses, incidental to the collection of the foregoing and the enforcement or protection of Pledgee's lien in and to the collateral pledged hereunder (all such indebtedness being the "*Liabilities*"), each Pledgor hereby pledges to Pledgee, and grants to Pledgee, a first priority security interest in all of the following (collectively, the "*Pledged Collateral*"):

(a) the shares of capital stock or other equity securities of the entities listed on Exhibit A attached hereto now owned or hereafter acquired (whether in connection with any recapitalization, reclassification, or reorganization of the capital of such entities or any successors in interest thereto) by Pledgor (collectively, the "*Pledged Shares*"), and all dividends, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares;

(b) all voting trust certificates held by Pledgor evidencing the right to vote any Pledged Shares subject to any voting trust; and

(c) all additional shares and voting trust certificates of the entities listed on Exhibit A from time to time acquired by Pledgor in any manner (which additional shares shall be deemed to be part of the Pledged Shares), and the certificates representing such additional shares, and all dividends, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Pledged Shares;

provided, however, that notwithstanding the foregoing clauses (a) through (c), in no event and at no time shall the Pledged Collateral include or be comprised of the issued and outstanding capital stock or other equity securities (calculated on an as-converted or as-exercised basis) of any Subsidiary of Pledgor organized under the laws of any jurisdiction other than the United States of America, or a subdivision thereof (a "*Foreign Subsidiary*") which exceeds 65% of all such issued and outstanding capital stock or other equity securities (calculated on an as-converted or as-exercised basis) of such Foreign Subsidiary, and, in each case, the corresponding proportion of dividends, distributions, interest and other payments and rights with respect thereto.

3. Each Pledgor hereby represents and warrants to Pledgee as follows:

(a) Pledgor is, at the time of delivery of the Pledged Shares to Pledgee hereunder, the sole holder of record and the sole beneficial owner of its Pledged Collateral, free and clear of any lien thereon or affecting title thereto, except for the lien created by this Pledge Agreement and Permitted Liens.

(b) None of the Pledged Shares have been transferred in violation of applicable federal or state securities laws to which such transfer may be subject.

(c) All of the Pledged Shares have been duly authorized, validly issued, and fully paid, and are non-assessable and constitute the percentage of the issued and outstanding capital stock owned by Pledgor set forth on Exhibit A.

(d) No consent, approval, authorization or other order of any person and no consent or authorization of any governmental authority or regulatory body is required to be made or obtained by Pledgor either (i) for the pledge by Pledgor of its Pledged Collateral pursuant to this Pledge Agreement or for the execution, delivery, or performance of this Pledge Agreement by Pledgor; or (ii) for the exercise by Pledgee of the voting or other rights provided for in this Pledge Agreement or the remedies with respect to the Pledged Collateral pursuant to this Pledge Agreement, except as may be required in connection with such disposition by laws affecting the offer and sale of securities generally.

(e) The pledge, grant of a security interest in, and delivery of the Pledged Collateral pursuant to this Pledge Agreement, will create a valid first priority lien on and in the Pledged Collateral, and the proceeds thereof, securing the payment of the Liabilities.

(f) This Pledge Agreement has been duly executed and delivered by Pledgor and constitutes a legal, valid, and binding obligation of Pledgor enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, or other similar laws affecting the rights of creditors generally or by the application of general equity principles.

Each Pledgor warrants and represents to Pledgee that all representations and warranties contained in this Pledge Agreement shall be true in all material respects at the time of Pledgor's execution of this Pledge Agreement and with each Advance made to the Borrowers under the Loan Agreement.

4. So long as no Event of Default exists and Pledgee has not given either Pledgor notice it will enforce its security interest in the Pledged Collateral:

(a) Voting Rights. Each Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to its Pledged Collateral, provided that no vote shall be cast or consent, waiver or ratification given by such Pledgor if the effect thereof would in the reasonable judgment of the Lender materially impair any of the Pledged Collateral or be inconsistent with or result in any violation of any of the provisions of the Loan Agreement, the Notes or any of the other Loan Documents; and

(b) Dividend and Distribution Rights. Each Pledgor shall be entitled to receive and to retain and use any and all dividends or distributions paid in respect of its Pledged Collateral; provided, however, that any and all:

(i) non-cash dividends or distributions in the form of capital stock, instruments or other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral, and

(ii) dividends and other distributions paid or payable in cash in respect of any Pledged Collateral in connection with total liquidation or dissolution,

shall forthwith be delivered to Pledgee, to be held as Pledged Collateral and shall, if received by a Pledgor, be received in trust for the benefit of Pledgee, be segregated from the other property of such Pledgor, and forthwith be delivered to Pledgee as Pledged Collateral in the same form as so received (with any necessary endorsement).

5. Each Pledgor agrees to pay prior to delinquency all taxes, charges, liens and assessments against the Pledged Collateral, except those with respect to which the amount or validity is being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of such Pledgor and upon the failure of such Pledgor to do so, Pledgee at its option may pay any of them and shall be the sole judge of the legality or validity thereof and the amount necessary to discharge the same.

6. So long as Pledgee has any commitment to make Advances to any Pledgor under the Loan Agreement or any Pledgor has any Secured Obligations (other than inchoate indemnity obligations) outstanding under the Loan Agreement, each Pledgor agrees that such Pledgor:

(a) will not (i) sell, transfer or otherwise dispose of, or grant any option or warrant with respect to, any of the Pledged Collateral (or any part thereof or interest therein) except with the prior written consent of Pledgee, or (ii) create or permit to exist any lien or encumbrance upon or with respect to any of the Pledged Collateral, except for Permitted Liens. If any Pledged Collateral, or any part thereof, is sold, transferred or otherwise disposed of in violation of this Section 6, the security interest of Pledgee shall continue in the Pledged Collateral notwithstanding such sale, transfer or other disposition, and Pledgor will deliver any proceeds thereof to Pledgee to be held as Pledged Collateral hereunder;

(b) shall, at Pledgor's own expense, promptly execute, acknowledge, and deliver all such instruments and take all such actions as Pledgee from time to time may reasonably request in order to ensure to Pledgee the benefits of the lien in and to the Pledged Collateral intended to be created by this Pledge Agreement;

(c) shall maintain, preserve and defend the title to the Pledged Collateral and the lien of Pledgee thereon against the claim of any other person;

(d) upon obtaining any shares of capital stock or other equity securities that should be pledged pursuant to Section 2 of this Pledge Agreement, shall immediately (i) deliver to Pledgee a duly executed Pledge Agreement Supplement in substantially the form of Schedule 1 attached hereto (a "*Pledge Agreement Supplement*") identifying such additional shares of capital stock or other equity securities, and (ii) deliver or otherwise cause the transfer of such additional shares of capital stock or other equity securities to the Pledgee, *provided,* in each case so as to cause at all times the Pledged Collateral to constitute, but in no event and at no time to exceed, 65% of the issued and outstanding capital stock or other equity securities (calculated on an as-converted or as-exercised basis) of any Foreign Subsidiary. Pledgor hereby authorizes Pledgee to attach each Pledge Agreement Supplement to this Pledge Agreement and agrees that all shares of capital stock or other equity securities listed thereon shall for all purposes hereunder constitute Pledged Collateral.

7. In the event that during the term of this Pledge Agreement, any reclassification, readjustment, new issuance or other change is declared or made in the capital structure of the issuer of the Pledged Shares, all new substituted and additional shares, options, or other securities, issued or issuable to any Pledgor by reason of any such issuance, change or exercise shall be delivered to and held by Pledgee under the terms of this Pledge Agreement in the same manner as the Pledged Collateral originally pledged hereunder.

8. All advances, charges, costs and expenses, including reasonable attorneys' fees, incurred or paid by Pledgee in exercising any right, power or remedy conferred upon Pledgee by this Pledge Agreement, or in the enforcement thereof, shall become a part of the Liabilities secured hereunder and shall be paid to Pledgee on demand.

9. During the existence of an Event of Default, Pledgee may, to the extent permitted by applicable law, at its election, apply, set off, collect or sell in one or more sales, or take such steps as may be necessary to liquidate and reduce to cash in the hands of Pledgee in whole or in part, with or without any previous demands or demand of performance or notice or advertisement, the whole or any part of the Pledged Collateral in such order as Pledgee may elect, and any such sale may be made either at public or private sale at its place of business or elsewhere, or at any broker's board or securities exchange, either for cash or upon credit or for future delivery; provided, however, that if such disposition is at private sale, then the purchase price of the Pledged Collateral shall be equal to the public market price then in effect, or, if at the time of sale no public market for the Pledged Collateral exists, then, in recognition of the fact that the sale of the Pledged Collateral would have to be registered under the Securities Act of 1933, as amended (the "***Act***"), and that the expenses of such registration are commercially unreasonable for the type and amount of collateral pledged hereunder, Pledgee and each Pledgor hereby agree that such private sale shall be at a purchase price mutually agreed to by Pledgee and the Pledgors or, if the parties cannot agree upon a purchase price, then at a purchase price established by Pledgee in the exercise of its reasonable discretion. Pledgee shall be under no obligation to delay the sale of any of the Pledged Shares for the period of time necessary to permit a Pledgor to register such securities for public sale under the Act, or under applicable state securities laws, even if such Pledgor would agree to do so. Pledgee may be the purchaser of any or all Pledged Collateral so sold and hold the same thereafter in its own right free from any claim of any Pledgor or right of redemption. To the extend permitted by law, demands of performance, notices of sale, advertisements and presence of property at sale are hereby waived. Any sale hereunder may be conducted by any officer or agent of Pledgee.

10. The proceeds of the sale of any of the Pledged Collateral and all sums received or collected by Pledgee from or on account of such Pledged Collateral shall be applied by Pledgee to the payment of reasonable expenses incurred or paid by Pledgee in connection with any sale, transfer or delivery of the Pledged Collateral, to the payment of any other costs, charges, attorneys' fees or expenses mentioned herein, and to the payment of the Secured Obligations or any part hereof, all in such order and manner as Pledgee in its discretion may determine. Pledgee shall then pay any remaining balance of the Secured Obligations to the Pledgor.

11. Upon the transfer of all or any part of Secured Obligations pursuant to the terms of the Loan Agreement, Pledgee may transfer all or any part of the Pledged Collateral to the transferee of the Secured Obligations and shall be fully discharged thereafter from all liability and responsibility with respect to such Pledged Collateral so transferred, and the transferee shall be vested with all the rights and powers of Pledgee hereunder with respect to such Pledged Collateral so transferred; but with respect to any Pledged Collateral not so transferred, Pledgee shall retain all rights and powers hereby given.

12. Until all Secured Obligations shall have been paid in full in cash, the power of sale and all other rights, powers and remedies granted to Pledgee hereunder shall continue to exist and may be exercised by Pledgee at any time and from time to time pursuant to the terms hereof.

13. Pledgee may at any time deliver the Pledged Collateral or any part thereof to a Pledgor and the receipt thereof by such Pledgor shall be a complete and full acquittance for the Pledged Collateral so delivered, and Pledgee shall thereafter be discharged from any liability or responsibility therefore, except for such as is directly caused by Pledgee's gross negligence or willful misconduct.

14. The rights, powers and remedies given to Pledgee by this Pledge Agreement shall be in addition to all rights, powers and remedies given to Pledgee by virtue of any statute or rule of law. Any forbearance, failure or delay by Pledgee in exercising any right, power or remedy hereunder shall not be deemed to be a waiver of such right, power or remedy, and any single or partial exercise of any right, power or remedy hereunder shall not preclude the further exercise thereof and every right, power and remedy of Pledgee shall continue in full force and effect until such right, power or remedy is specifically waived by an instrument in writing executed by Pledgee.

15. If any provision of this Pledge Agreement is held to be unenforceable for any reason, all other provisions of this Pledge Agreement shall be deemed valid and enforceable to the full extent possible.

16. This Pledge Agreement shall be governed by, and construed in accordance with, the laws of the State of California.

17. Upon the payment in full in cash of all Secured Obligations (other than inchoate indemnity obligations) and the cancellation or termination of any commitment to extend credit or make Advances under the Loan Agreement, the security interest granted herein shall terminate and all rights to the Pledged Collateral shall revert to the Pledgors, and Pledgee shall immediately return all Pledged Collateral to the applicable Pledgor. Upon such termination, Pledgee shall, at Pledgors' cost and expense, execute and deliver to any Pledgor any additional documents or instruments as such Pledgor reasonably request to evidence such termination.

[Signature Page Follows]

IN WITNESS WHEREOF, each Pledgor has executed this Pledge Agreement as of the date first set forth above.

DIOMED HOLDINGS, INC.

By: _____

Name: _____

Title: _____

DIOMED, INC.

By: _____

Name: _____

Title: _____

Exhibit A

Pledgor: Diomed Holdings, Inc.

Name of Pledged Share Issuer	Jurisdiction of Organization	Number of Shares Authorized	Number of Shares Issued	Number of Shares Outstanding	Number of Shares Owned by Pledgor	% of Outstanding Shares Pledged	Certificate Number
Diomed, Inc.	Delaware	3,500,000 Preferred	3,500,000 Preferred	3,500,000 Preferred	3,500,000 Preferred	100%	P-1
Diomed, Inc.	Delaware	40,000,000 Common	40,000,000 Common	40,000,000 Common	40,000,000 Common	100%	1

Pledgor: Diomed, Inc.

Name of Pledged Share Issuer	Jurisdiction of Organization	Number of Shares Authorized	Number of Shares Issued	Number of Shares Outstanding	Number of Shares Owned by Pledgor	% of Outstanding Shares Pledged	Certificate Number
Diomed PDT, Inc.	Delaware	100 Common	100 Common	100 Common	100 Common	100%	1
Diomed Acquisition Corp.	Delaware	1,000 Common	1,000 Common	1,000 Common	1,000 Common	100%	1

Schedule 1

Pledge Agreement Supplement

This Pledge Agreement Supplement, dated as of _____, 20__, is delivered pursuant to Section 6(d) of the Pledge Agreement referred to below. The undersigned hereby agrees that this Pledge Agreement Supplement may be attached to the Pledge Agreement, dated as of September 28, 2007 (as amended, restated, modified, renewed, supplemented or extended from time to time, the "***Pledge Agreement***"; the terms defined therein and not otherwise defined herein being used as therein defined), made by the undersigned, as Pledgor in favor of Hercules Technology Growth Capital, Inc., as Pledgee, and that the shares of capital stock or other equity securities listed on this Pledge Agreement Supplement shall be and become part of the Pledged Collateral pledged by the undersigned and referred to in the Pledge Agreement and shall secure all Secured Obligations.

The undersigned agree that the shares of capital stock and other equity securities listed below shall for all purposes constitute Pledged Collateral pledged by the undersigned and shall be subject to the security interest created by the Pledge Agreement.

The undersigned hereby certify that the representation and warranties set forth in Section 3 of the Pledge Agreement are true and complete in all material respects with respect to the Pledged Shares listed below on and as of the date hereof.

[PLEDGOR]

By: _____

Name: _____

Title: _____

Name of Pledged Share Issuer	Jurisdiction of Organization	Number of Shares Authorized	Number of Shares Issued	Number of Shares Outstanding	Number of Shares Owned by Pledgor	% of Outstanding Shares Pledged	Certificate Number

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AS AMENDED, OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL (WHICH MAY BE COMPANY COUNSEL) REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933 ACT AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS.

WARRANT AGREEMENT

To Purchase Shares of the Common Stock of

DIOMED HOLDINGS, INC.

Dated as of September 28, 2007 (the "Effective Date")

WHEREAS, Diomed Holdings, Inc., a Delaware corporation (the "Company"), has entered into a Loan and Security Agreement of even date herewith (the "Loan Agreement") with, Hercules Technology Growth Capital, Inc., a Maryland corporation (the "Warrantholder");

WHEREAS, the Company desires to grant to Warrantholder, in consideration for, among other things, the financial accommodations provided for in the Loan Agreement, the right to purchase shares of its Common Stock pursuant to this Warrant Agreement (the "Warrant");

NOW, THEREFORE, in consideration of the Warrantholder executing and delivering the Loan Agreement and providing the financial accommodations contemplated therein, and in consideration of the mutual covenants and agreements contained herein, the Company and Warrantholder agree as follows:

SECTION 1. GRANT OF THE RIGHT TO PURCHASE COMMON STOCK.

For value received, the Company hereby grants to the Warrantholder, and the Warrantholder is entitled, upon the terms and subject to the conditions hereinafter set forth, to subscribe for and purchase, from the Company, 86,957 fully paid and non-assessable shares of the Common Stock (as defined below) at a purchase price of $0.70 per share (the "Exercise Price"). The number and Exercise Price of such shares are subject to adjustment as provided in Section 8. As used herein, the following terms shall have the following meanings:

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acknowledgment of Exercise" has the meaning given to it in Section 3(a).

"Act" means the Securities Act of 1933, as amended.

"Agreement" means this Warrant Agreement.

"Charter" means the Company's Certificate of Incorporation or other constitutional document, as the same may be amended from time to time.

"Claims" has the meaning given to it in Section 12(p).

"Common Stock" means the Company's common stock, $0.001 par value per share.

"Company" has the meaning given to it in the preamble to this Warrant.

"Effective Date" has the meaning given to it in the preamble to this Warrant.

"Exercise Price" has the meaning given to it in the preamble to this Warrant.

"Loan Agreement" has the meaning given to it in the preamble to this Warrant.

"Merger Event" means (i) a merger or consolidation involving the Company in which (x) the Company is not the surviving entity, or (y) the outstanding shares of the Company's capital stock are otherwise converted into or exchanged for shares of capital of another entity; or (ii) the sale of all or substantially all of the assets of the Company.

"Net Issuance" has the meaning given to it in Section 3(a).

"Notice of Exercise" has the meaning given to it in Section 3(a).

"Preferred Stock" means the 2006 Preferred Stock of the Company, par value $0.001 per share, and any other stock into or for which the 2006 Preferred Stock may be converted or exchanged other than pursuant to its terms.

"Purchase Price" means, with respect to any exercise of this Warrant, an amount equal to the Exercise Price as of the relevant time multiplied by the number of shares of Common Stock requested to be exercised under this Warrant pursuant to such exercise.

"Rules" has the meaning given to it in Section 12(q).

"Transfer Notice" has the meaning given to it in Section 11.

"Warrant" has the meaning given to it in Section 2.

"Warrant Term" has the meaning given to it in Section 2.

"Warrantholder" has the meaning given to it in the preamble to this Warrant.

SECTION 2. TERM OF THE WARRANT.

Except as otherwise provided for herein, the term of this Warrant (the "Warrant Term") and the right to purchase Common Stock, as granted herein (the "Warrant") shall commence on the Effective Date and shall be exercisable for a period ending on 5:00 pm Eastern time on the day of the fifth anniversary of the Effective Date, provided, that this Warrant shall not be exercisable unless and until the Common Stock to be issued upon the exercise of this Warrant are then listed with the American Stock Exchange, as contemplated by Section 9(j).

SECTION 3. EXERCISE OF THE PURCHASE RIGHTS.

(a) Exercise. The purchase rights set forth in this Warrant are exercisable by the Warrantholder, in whole or in part, at any time, or from time to time, during the Warrant Term, by tendering to the Company at its principal office a notice of exercise in the form attached hereto as Exhibit I (the "Notice of Exercise"), duly completed and executed. Promptly upon receipt of the Notice of Exercise and the payment of the Purchase Price in accordance with the terms set forth below, and in no event later than three (3) days thereafter, the Company shall issue to the Warrantholder a certificate for the number of shares of Common Stock purchased and shall execute the acknowledgment of exercise in the form attached hereto as Exhibit II (the "Acknowledgment of Exercise") indicating the number of shares which remain subject to future purchases, if any.

The Purchase Price may be paid at the Warrantholder's election either (i) by cash or check, or (ii) by surrender of all or a portion of the Warrant for shares of Common Stock to be exercised under this Warrant and, if applicable, an amended Warrant representing the remaining number of shares purchasable hereunder, as determined below ("Net Issuance"). If the Warrantholder elects the Net Issuance method, the Company will issue Common Stock in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where: X = the number of shares of Common Stock to be issued to the Warrantholder.

Y = the number of shares of Common Stock requested to be exercised under this Warrant.

A = the fair market value of one (1) share of Common Stock at the time of issuance of such shares.

B = the Exercise Price.

For purposes of the above calculation, current fair market value of Common Stock shall mean:

(i) if the Common Stock is traded on the New York Stock Exchange, the American Stock Exchange, any exchange operated by the NASDAQ Stock Market, Inc. or any other securities exchange, the fair market value shall be deemed to be the product of (x) the average of the closing prices over a five (5) day period ending three (3) days before the day the current fair market value of the securities is being determined and (y) the number of shares of Common Stock subject to such exercise; or

(ii) if at any time the Common Stock is not listed on any securities exchange, the current fair market value of such Common Stock shall be the product of (x) the highest price per share which the Company could obtain from a willing buyer (not a current employee or director) for shares of Common Stock sold by the Company, from authorized but unissued shares, as determined in good faith by its Board of Directors and (y) the number of shares of Common Stock subject to such exercise, unless the Company shall become subject to a Merger Event, in which case the fair market value of Common Stock shall be deemed to be the per share value received by the holders of the Company's Common Stock on a common equivalent basis pursuant to such Merger Event.

Upon partial exercise by either cash or Net Issuance, the Company shall promptly issue an agreement substantially in the form of the Agreement representing the remaining number of shares purchasable hereunder. All other terms and conditions of such agreement shall be identical to those contained herein, including, but not limited to the Effective Date hereof.

(b) Exercise Prior to Expiration. To the extent that the Warrantholder has not exercised its purchase rights under this Agreement to all Common Stock subject hereto, and if the fair market value of one share of the Common Stock is greater than the Exercise Price then in effect, this Agreement shall be deemed automatically exercised pursuant to Section 3(a) (even if not surrendered) immediately before the expiration of the Warrant Term. For purposes of such automatic exercise, the fair market value of one share of the Common Stock upon such expiration shall be determined pursuant to Section 3(a). To the extent this Agreement or any portion thereof is deemed automatically exercised pursuant to this Section 3(b), the Company agrees to promptly notify the Warrantholder of the number of shares of Common Stock if any, the Warrantholder is to receive by reason of such automatic exercise.

SECTION 4. RESERVATION OF SHARES.

During the Warrant Term, the Company will at all times have authorized and reserved a sufficient number of shares of its Common Stock to provide for the exercise of the rights to purchase such stock as provided for herein.

SECTION 5. NO FRACTIONAL SHARES OR SCRIP.

No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant, but in lieu of such fractional shares the Company shall make a cash payment therefor upon the basis of the Exercise Price then in effect.

SECTION 6. NO RIGHTS AS SHAREHOLDER/STOCKHOLDER.

This Warrant does not entitle the Warrantholder to any voting rights or other rights as a stockholder of the Company prior to the exercise of this Warrant.

SECTION 7. WARRANTHOLDER REGISTRY.

The Company shall maintain a registry showing the name and address of the registered holder of this Warrant. Warrantholder's initial address, for purposes of such registry, is set forth below Warrantholder's signature on this Warrant. Warrantholder may change such address by giving written notice of such changed address to the Company.

SECTION 8. ADJUSTMENT RIGHTS.

The Exercise Price and the number of shares of Common Stock purchasable hereunder are subject to adjustment, as follows:

(a) Merger Event. If at any time prior to the exercise of this Warrant there shall be Merger Event, then, as a part of such Merger Event, lawful provision shall be made so that the Warrantholder shall thereafter be entitled to receive, upon exercise of this Warrant, the number of shares of stock or other securities or property of the successor corporation resulting from such Merger Event that would have been issuable if Warrantholder had exercised this Warrant immediately prior to the Merger Event. In any such case, appropriate adjustment (as determined in good faith by the Company's Board of Directors) shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Warrantholder after the Merger Event to the end that the provisions of this Warrant (including adjustments of the Exercise Price and number of shares of stock purchasable) shall be applicable in their entirety, and to the greatest extent possible. Without limiting the foregoing, in connection with any Merger Event, upon the closing thereof, the Company will use reasonable efforts (as determined by the Company in its sole discretion) to cause the successor or surviving entity to assume the obligations of this Warrant. If the obligations of this Warrant are not assumed in connection with the Merger Event, the Company shall give Warrantholder written notice at least five (5) days prior to the closing of the Merger Event of such fact. In such event, notwithstanding any other provision of this Agreement to the contrary, Warrantholder may immediately exercise this Warrant in the manner specified in this Agreement with such exercise effective immediately prior to closing of the Merger Event. If Warrantholder elects not to exercise this Warrant, then this Warrant will terminate immediately prior to the closing of the Merger Event. If a Merger Event occurs at any time before the shares of Common Stock subject to this Warrant are listed for trading on the American Stock Exchange and the successor or surviving entity does not agree to assume the obligations of this Warrant, then the Warrantholder shall receive liquidated damages in an amount equal to the difference between the Exercise Price of the Warrant as then in effect and the consideration per share payable to the holders of the Common Stock in the transaction pursuant to which the Merger Event occurs.

(b) Reclassification of Shares. Except as set forth in Section 8(a) or Section 8(c), if the Company at any time shall, by combination, reclassification, exchange or subdivision of securities or otherwise, change any of the securities as to which purchase rights under this Warrant exist into the same or a different number of securities of any other class or classes, this Warrant shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities which were subject to the purchase rights under this Warrant immediately prior to such combination, reclassification, exchange, subdivision or other change.

(c) Subdivision or Combination of Shares. If the Company at any time shall combine or subdivide its Common Stock, (i) in the case of a subdivision, the Exercise Price shall be proportionately decreased, and the number of shares of Common Stock issuable upon exercise of this Warrant shall be proportionately increased, or (ii) in the case of a combination, the Exercise Price shall be proportionately increased, and the number of shares of Common Stock issuable upon the exercise of this Warrant shall be proportionately decreased.

(d) Stock Dividends. If the Company at any time while this Warrant is outstanding and unexpired shall:

(i) pay a dividend with respect to the Common Stock payable in Common Stock, then the Exercise Price shall be adjusted, from and after the date of determination of stockholders entitled to receive such dividend or distribution, to that price determined by multiplying the Exercise Price in effect immediately prior to such date of determination by a fraction (A) the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution, and (B) the denominator of which shall be the total number of shares of Common Stock outstanding immediately after such dividend or distribution; or

(ii) make any other distribution with respect to Common Stock, except any distribution specifically provided for in any other clause of this Section 8, then, in each such case, provision shall be made by the Company such that the Warrantholder shall receive upon exercise or conversion of this Warrant a proportionate share of any such distribution as though it were the holder of the Common Stock as of the record date fixed for the determination of the shareholders/stockholders of the Company entitled to receive such distribution.

(e) Antidilution Rights. To the extent that additional antidilution rights applicable to the stock purchasable hereunder may be set forth in the Company's Charter and shall be applicable with respect to the stock issuable hereunder, the Company shall promptly provide the Warrantholder with any restatement, amendment, modification or waiver of the Charter; provided, that no such amendment, modification or waiver shall impair or reduce the antidilution rights applicable to the stock as of the date hereof unless such amendment, modification or waiver affects the rights of Warrantholder with respect to the Common Stock in the same manner as it affects all other holders of Common Stock. The Company shall provide Warrantholder with prior written notice of any issuance of its stock or other equity security to occur after the Effective Date of this Warrant, which notice shall include (a) the price at which such stock or security is to be sold, (b) the number of shares to be issued, and (c) such other information as necessary for Warrantholder to determine if a dilutive event has occurred. For the avoidance of doubt, there shall be no duplicate anti-dilution adjustment pursuant to this subsection (e), the forgoing subsection (d) and the Company's Charter.

(f) Notice of Adjustments. If: (i) the Company shall declare any dividend or distribution upon its stock, whether in stock, cash, property or other securities (assuming Warrantholder consents to a dividend involving cash, property or other securities); (ii) the Company shall offer for subscription pro rata to the holders of any class of its stock any additional shares of stock of any class or other rights; (iii) there shall be any Merger Event; (iv) the Company shall sell, lease, license or otherwise transfer all or substantially all of its assets; or (v) there shall be any voluntary dissolution, liquidation or winding up of the Company; then, in connection with each such event, the Company shall send to the Warrantholder: (A) at least ten (10) days' prior written notice of the date on which the books of the Company shall close or a record shall be taken for such dividend, distribution, subscription rights (specifying the date on which the holders of Common Stock shall be entitled thereto) or for determining rights to vote in respect of such Merger Event, dissolution, liquidation or winding up; and (B) in the case of any such Merger Event, sale, lease, license or other transfer of all or substantially all assets, dissolution, liquidation or winding up, at least ten (10) days' prior written notice of the date when the same shall take place (and specifying the date on which the holders of Common Stock shall be entitled to exchange their Common Stock for securities or other property deliverable upon such Merger Event, dissolution, liquidation or winding up).

Each such written notice shall set forth, in reasonable detail, (i) the event requiring the notice, and (ii) if any adjustment is required to be made, (A) the amount of such adjustment, (B) the method by which such adjustment was calculated, (C) the adjusted Exercise Price (if the Exercise Price has been adjusted), and (D) the number of shares subject to purchase hereunder after giving effect to such adjustment, and shall be given by first class mail, postage prepaid, or by reputable overnight courier with all charges prepaid, addressed to the Warrantholder at the address for Warrantholder set forth in the registry referred to in Section 7.

(g) Timely Notice. Failure to timely provide such notice required by subsection (f) above shall entitle Warrantholder to retain the benefit of the applicable notice period notwithstanding anything to the contrary contained in any insufficient notice received by Warrantholder. For purposes of this subsection (g), and notwithstanding anything to the contrary in Section 12(g), the notice period shall begin on the earlier of (i) the date Warrantholder actually receives a written notice containing all the information required to be provided in such Section 8(f) and (ii) the date that is five (5) days after the date on which such notice would be effective pursuant to the provisions of Section 12(g).

SECTION 9. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY.

(a) Reservation of Stock. The stock issuable upon exercise of the Warrantholder's rights has been duly and validly reserved and, when issued in accordance with the provisions of this Warrant, will be validly issued, fully paid and non-assessable, and will be free of any taxes, liens, charges or encumbrances of any nature whatsoever; provided, that the stock issuable pursuant to this Warrant may be subject to restrictions on transfer under state and/or federal securities laws. The Company has made available to the Warrantholder true, correct and complete copies of its Charter and current bylaws. The issuance of certificates for shares of stock upon exercise of this Warrant shall be made without charge to the Warrantholder for any issuance tax in respect thereof, or other cost incurred by the Company in connection with such exercise and the related issuance of shares of stock; provided, that the Company shall not be required to pay any tax which may be payable in respect of any transfer and the issuance and delivery of any certificate in a name other than that of the Warrantholder.

(b) Due Authority. The execution and delivery by the Company of this Agreement and the performance of all obligations of the Company hereunder, including the issuance to Warrantholder of the right to acquire the shares of Common Stock have been duly authorized by all necessary corporate action on the part of the Company. This Agreement and the Warrant contained herein: (i) are not inconsistent with the Company's Charter or current bylaws; (ii) do not contravene any law or governmental rule, regulation or order applicable to it; and (iii) do not and will not contravene any provision of, or constitute a default under, any indenture, mortgage, contract or other instrument to which it is a party or by which it is bound, after giving effect to such consents as the Company is required to obtain pursuant to the Loan Agreement. This Agreement constitutes the legal, valid and binding agreement of the Company, enforceable in accordance with its respective terms.

(c) Consents and Approvals. No consent or approval of, giving of notice to, registration with, or taking of any other action in respect of any state, federal or other governmental authority or agency is required with respect to the execution, delivery and performance by the Company of its obligations under this Warrant, except for the filing of notices pursuant to Regulation D under the Act and any filing required by applicable state securities law, which filings will be effective by the time required thereby.

(d) Issued Securities. All issued and outstanding shares of Common Stock, Preferred Stock or any other securities of the Company have been duly authorized and validly issued and are fully paid and nonassessable. All outstanding shares of Common Stock, Preferred Stock and any other securities were issued in full compliance with all federal and state securities laws. In addition, as of the date immediately preceding the date of this Warrant:

(i) The authorized capital of the Company consists of (A) 65,000,000 shares of Common Stock, of which 30,067,031 shares are issued and outstanding, and (B) 1,736 shares of Preferred Stock, of which 673.6044 shares are issued and outstanding and are convertible into 6,736,044 shares of Common Stock at $1.15 per share.

(ii) The Company has reserved 5,708,172 shares of Common Stock for issuance under its Stock Option Plan(s), under which 3,533,103 options are outstanding. There are no other options, warrants, conversion privileges or other rights presently outstanding to purchase or otherwise acquire any authorized but unissued shares of the Company's capital stock or other securities of the Company. The Company has no outstanding loans to any employee, officer or director of the Company, and the Company agrees not to enter into any such loan or otherwise guarantee the payment of any loan made to an employee, officer or director by a third party.

(iii) In accordance with the Company's Charter, no shareholder/stockholder of the Company has preemptive rights to purchase new issuances of the Company's capital stock.

(e) Insurance. The Company has in full force and effect insurance policies, with extended coverage, insuring the Company and its property and business against such losses and risks, and in such amounts, as are required pursuant to Section 6 of the Loan Agreement.

(f) Other Commitments to Register Securities. Except as set forth in this Warrant, the Company is not, pursuant to the terms of any other agreement currently in existence, under any obligation to register under the Act any of its presently outstanding securities or any of its securities which may hereafter be issued, which agreement has not been performed prior to the Effective Date.

(g) Exempt Transaction. Subject to the accuracy of the Warrantholder's representations in Section 10, the issuance of the Common Stock upon exercise of this Warrant will constitute a transaction exempt from (i) the registration requirements of Section 5 of the Act, in reliance upon Section 4(2) thereof, and (ii) the qualification requirements of the applicable state securities laws.

(h) Compliance with Rule 144. If the Warrantholder proposes to sell Common Stock issuable upon the exercise of this Warrant in compliance with Rule 144 promulgated by the SEC, then, upon Warrantholder's written request to the Company, the Company shall furnish to the Warrantholder, within ten days after receipt of such request, a written statement confirming the Company's compliance with the filing requirements of the SEC as set forth in such Rule, as such Rule may be amended from time to time.

(i) Information Rights. During the term of this Warrant, Warrantholder shall be entitled to the information rights contain in Section 7.1 of the Loan Agreement, and Section 7.1 of the Loan Agreement is hereby incorporated into this Warrant by this reference as though fully set forth herein; provided that (A) the Company shall not be required to deliver a Compliance Certificate once all Indebtedness (as defined in the Loan Agreement) owed by the Company to Warrantholder as been repaid, and (B) for as long as the Warrantholder is the lender under the Loan Agreement, the Company shall not be required to make more than one delivery of each item of information pursuant to Section 7.1 of the Loan Agreement.

(j) Registration of Shares. The Company shall list the shares of Common Stock subject to this Warrant for trading on the American Stock Exchange pursuant to an application for additional listing of such shares which the Company will deliver to the American Stock Exchange prior to 5:30 p.m. (Eastern Time) on the first business day following the Effective Date. Pursuant to the rules and regulations of the American Stock Exchange, such listing shall be a condition precedent to the Warrantholder's ability to exercise this Warrant.

SECTION 10. REPRESENTATIONS AND COVENANTS OF THE WARRANTHOLDER.

This Agreement has been entered into by the Company, and the Company is issuing the Warrant and the shares of Common Stock issuable upon the exercise of the Warrant, in reliance upon the following representations and covenants of the Warrantholder:

(a) Investment Purpose. The right to acquire Common Stock issuable upon exercise of the Warrantholder's rights contained herein will be acquired for investment and not with a view to the sale or distribution of any part thereof, and the Warrantholder has no present intention of selling or engaging in any public distribution of the same except pursuant to a registration or exemption.

(b) Private Issue. The Warrantholder understands (i) that the Common Stock issuable upon exercise of this Warrant is not registered under the Act or qualified under applicable state securities laws on the ground that the issuance contemplated by this Warrant will be exempt from the registration and qualifications requirements thereof, and (ii) that the Company's reliance on such exemption is predicated on the representations set forth in this Section 10.

(c) Financial Risk. The Warrantholder has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment, and has the ability to bear the economic risks of its investment.

(d) Risk of No Registration. The Warrantholder understands that if the Company does not file reports pursuant to Section 15(d) of the 1934 Act, or if a registration statement under the Act covering the Warrant and shares of Common Stock issuable upon exercise of the Warrant is not in effect when it desires to sell (i) the rights to purchase Common Stock pursuant to this Warrant or (ii) the Common Stock issuable upon exercise of the right to purchase, the Warrantholder may be required to hold such securities for an indefinite period. The Warrantholder also understands that any sale of (A) its rights hereunder to purchase Common Stock or (B) Common Stock issued or issuable hereunder which might be made by it in reliance upon Rule 144 under the Act may be made only in accordance with the terms and conditions of that Rule.

(e) Accredited Investor. Warrantholder is an "accredited investor" within the meaning of the Securities and Exchange Rule 501 of Regulation D, as presently in effect.

SECTION 11. TRANSFERS.

Subject to compliance with applicable federal and state securities laws, and if such intended transferee is not an affiliate of the Lender to the duly executed written confirmation by the intended transferee that the representations and warranties set forth in Section 10 are true and correct as to such intended transferee, this Warrant and all rights hereunder are transferable, in whole or in part, without charge to the holder hereof (except for transfer taxes) upon surrender of this Warrant properly endorsed. Each taker and holder of this Warrant, by taking or holding the same, consents and agrees that this Warrant, when endorsed in blank, shall be deemed negotiable, and that the holder hereof, when this Warrant shall have been so endorsed and its transfer recorded on the Company's books, shall be treated by the Company and all other persons dealing with this Warrant as the absolute owner hereof for any purpose and as the person entitled to exercise the rights represented by this Warrant and, notwithstanding any other provision of this Warrant to the contrary, shall be the Warrantholder as referred to in this Warrant. The transfer of this Warrant shall be recorded in the registry referred to in Section 7 upon receipt by the Company of a notice of transfer in the form attached hereto as Exhibit III (the "Transfer Notice"), at its principal offices and the payment to the Company of all transfer taxes and other governmental charges imposed on such transfer. Until the Company receives such Transfer Notice, the Company may treat the registered owner hereof as the owner for all purposes.

SECTION 12. MISCELLANEOUS.

(a) Effective Date. The provisions of this Warrant shall be construed and shall be given effect in all respects as if it had been executed and delivered by the Company on the date hereof. This Warrant shall be binding upon any successors or assigns of the Company.

(b) Remedies. In the event of any default hereunder, the non-defaulting party may proceed to protect and enforce its rights either by suit in equity and/or by action at law, including but not limited to an action for damages as a result of any such default, and/or an action for specific performance for any default where Warrantholder will not have an adequate remedy at law and where damages will not be readily ascertainable. The Company expressly agrees that it shall not oppose an application by the Warrantholder or any other person entitled to the benefit of this Warrant requiring specific performance of any or all provisions hereof or enjoining the Company from continuing to commit any such breach of this Warrant.

(c) No Impairment of Rights. The Company will not, by amendment of its Charter or through any other means, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate in order to protect the rights of the Warrantholder against impairment.

(d) Additional Documents. The Company, upon execution of this Warrant, shall provide the Warrantholder with certified resolutions with respect to the representations, warranties and covenants set forth in Sections 9(a) through 9(d), Sections 9(g) and 9(h). The Company shall also supply such other documents as the Warrantholder may from time to time reasonably request.

(e) Attorney's Fees. In any litigation, arbitration or court proceeding between the Company and the Warrantholder relating hereto, the prevailing party shall be entitled to attorneys' fees and expenses and all costs of proceedings incurred in enforcing this Warrant. For the purposes of this Section 12(e), attorneys' fees shall include without limitation fees incurred in connection with the following: (i) contempt proceedings; (ii) discovery; (iii) any motion, proceeding or other activity of any kind in connection with an insolvency proceeding; (iv) garnishment, levy, and debtor and third party examinations; and (v) post-judgment motions and proceedings of any kind, including without limitation any activity taken to collect or enforce any judgment.

(f) Severability. In the event any one or more of the provisions of this Warrant shall for any reason be held invalid, illegal or unenforceable, the remaining provisions of this Warrant shall be unimpaired, and the invalid, illegal or unenforceable provision shall be replaced by a mutually acceptable valid, legal and enforceable provision, which comes closest to the intention of the parties underlying the invalid, illegal or unenforceable provision.

(g) Notices. Except as otherwise provided herein, any notice, demand, request, consent, approval, declaration, service of process or other communication that is required, contemplated, or permitted under this Warrant or with respect to the subject matter hereof shall be in writing, and shall be deemed to have been validly served, given, delivered, and received upon the earlier of: (i) the day of transmission by facsimile or hand delivery if transmission or delivery occurs on a business day at or before 5:00 pm in the time zone of the recipient, or, if transmission or delivery occurs on a non-business day or after such time, the first business day thereafter, or (ii) the first business day after deposit with an overnight express service or overnight mail delivery service; or (iii) the third calendar day after deposit in the United States mails, with proper first class postage prepaid, and shall be addressed to the party to be notified as follows:

If to Warrantholder:

Hercules Technology Growth Capital, Inc.
Attention: Chief Legal Officer and R. Bryan Jadot

400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301
Facsimile: 650-473-9194
Telephone: 650-289-3060

With a copy to:

Bingham McCutchen LLP
150 Federal Street
Boston, MA 02110
Attention: Sandra Vrejan, Esq.
Facsimile: (617) 951-8736
Telephone: (617) 951-8671

If to the Company:

Diomed Holdings, Inc.
1 Dundee Park
Andover, MA 01810
Attention: David B. Swank
Facsimile: (978) 475-8488
Telephone: (978) 824-1823

With a courtesy copy to:

McGuire Woods LLP
1345 Avenue of the Americas
7th Floor
New York, NY 10105
Attention: William A. Newman, Esq.
Facsimile: (212) 548-2170
Telephone: (212) 548-2660

or to such other address as each party may designate for itself by like notice.

(h) Entire Agreement; Amendments. This Agreement constitutes the entire agreement and understanding of the parties hereto in respect of the subject matter hereof, and supersede and replace in their entirety any prior proposals, term sheets, letters, negotiations or other documents or agreements, whether written or oral, with respect to the subject matter hereof (including Lender's proposal letter dated August 21, 2007). None of the terms of this Agreement or Warrant may be amended except by an instrument executed by each of the parties hereto.

(i) Headings. The various headings in this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or any provisions hereof.

(j) Advice of Counsel. Each of the parties represents to each other party hereto that it has discussed (or had an opportunity to discuss) with its counsel this Agreement and, specifically, the provisions of Sections 12(n), 12(o), 12(p), 12(q) and 12(r).

(k) No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Warrant. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Warrant.

(l) No Waiver. Except for the requirement that this Warrant be exercised (or be deemed exercised), if at all, during the Warrant Term, no omission or delay by Warrantholder at any time to enforce any right or remedy reserved to it, or to require performance of any of the terms, covenants or provisions hereof by the Company at any time designated, shall be a waiver of any such right or remedy to which Warrantholder is entitled, nor shall it in any way affect the right of Warrantholder to enforce such provisions thereafter.

(m) Survival. All agreements, representations and warranties contained in this Agreement or in any document delivered pursuant hereto shall be for the benefit of Warrantholder and shall survive the execution and delivery of this Agreement and the expiration or other termination of this Warrant.

(n) Governing Law. This Agreement has been negotiated and delivered to Warrantholder in the State of California, and shall have been accepted by Warrantholder in the State of California. Delivery of Common Stock to Warrantholder by the Company under this Warrant is due in the State of California. This Warrant shall be governed by, and construed and enforced in accordance with, the laws of the State of California, excluding conflict of laws principles that would cause the application of laws of any other jurisdiction.

(o) Consent to Jurisdiction and Venue. All judicial proceedings arising in or under or related to this Agreement may be brought in any state or federal court of competent jurisdiction located in the State of California. By execution and delivery of this Agreement, each party hereto generally and unconditionally: (a) consents to personal jurisdiction in San Mateo County, State of California; (b) waives any objection as to jurisdiction or venue in San Mateo County, State of California; (c) agrees not to assert any defense based on lack of jurisdiction or venue in the aforesaid courts; and (d) irrevocably agrees to be bound by any judgment rendered thereby in connection with this Warrant. Service of process on any party hereto in any action arising out of or relating to this Warrant shall be effective if given in accordance with the requirements for notice set forth in Section 12(g), and shall be deemed effective and received as set forth in Section 12(g). Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of either party to bring proceedings in the courts of any other jurisdiction.

(p) Mutual Waiver of Jury Trial. Because disputes arising in connection with complex financial transactions are most quickly and economically resolved by an experienced and expert person and the parties wish applicable state and federal laws to apply (rather than arbitration rules), the parties desire that their disputes be resolved by a judge applying such applicable laws. EACH OF THE COMPANY AND WARRANTHOLDER SPECIFICALLY WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, CROSS-CLAIM, COUNTERCLAIM, THIRD PARTY CLAIM OR ANY OTHER CLAIM (COLLECTIVELY, "CLAIMS") ASSERTED BY THE COMPANY AGAINST WARRANTHOLDER OR ITS ASSIGNEE OR BY WARRANTHOLDER OR ITS ASSIGNEE AGAINST THE COMPANY. This waiver extends to all such Claims, including Claims that involve Persons other than Borrower and Lender; Claims that arise out of or are in any way connected to the relationship between the Company and Warrantholder; and any Claims for damages, breach of contract, specific performance, or any equitable or legal relief of any kind, arising out of this Warrant.

(q) Arbitration. If the Mutual Waiver of Jury Trial set forth in Section 12(p) is ineffective or unenforceable, the parties agree that all Claims shall be submitted to binding arbitration in accordance with the commercial arbitration rules of JAMS (the "Rules"), such arbitration to occur before one arbitrator, which arbitrator shall be a retired California state judge or a retired Federal court judge. Such proceeding shall be conducted in San Francisco County, California, with California rules of evidence and discovery applicable to such arbitration. The decision of the arbitrator shall be binding on the parties, and shall be final and nonappealable to the maximum extent permitted by law. Any judgment rendered by the arbitrator may be entered in a court of competent jurisdiction and enforced by the prevailing party as a final judgment of such court.

(r) Prearbitration Relief. In the event Claims are to be resolved by arbitration, either party may seek from a court of competent jurisdiction identified in Section 12(o), any prejudgment order, writ or other relief and have such prejudgment order, writ or other relief enforced to the fullest extent permitted by law notwithstanding that all Claims are otherwise subject to resolution by binding arbitration.

(s) Counterparts. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so delivered shall be deemed an original, but all of which counterparts shall constitute but one and the same instrument.

(t) Specific Performance. The parties hereto hereby declare that it is impossible to measure in money the damages which will accrue to Warrantholder by reason of the Company's failure to perform any of the obligations under this Agreement or the Warrant and agree that the terms of this Warrant shall be specifically enforceable by Warrrantholder. If Warrantholder institutes any action or proceeding to specifically enforce the provisions hereof, any person against whom such action or proceeding is brought hereby waives the claim or defense therein that Warrantholder has an adequate remedy at law, and such person shall not offer in any such action or proceeding the claim or defense that such remedy at law exists.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by its officers thereunto duly authorized as of the Effective Date.

COMPANY: DIOMED HOLDINGS, INC.

By: _____

Name: James A. Wylie, Jr.

Title: President and Chief Executive Officer

WARRANTHOLDER:

HERCULES TECHNOLOGY GROWTH CAPITAL, INC., a Maryland corporation

By: _____

Name: K. Nicholas Martitsch

Its: Associate General Counsel

EXHIBIT I

NOTICE OF EXERCISE

To: [_____]

(1) The undersigned Warrantholder hereby elects to purchase [_____] shares of the Common Stock of DIOMED HOLDINGS, INC., pursuant to the terms of the Warrant dated the 28th day of September, 2007 (the "Warrant") between DIOMED, INC. and the Warrantholder, and [CASH PAYMENT: tenders herewith payment of the Purchase Price in full, together with all applicable transfer taxes, if any.] [NET ISSUANCE: elects pursuant to Section 3(a) of the Warrant to effect a Net Issuance.]

(2) Please issue a certificate or certificates representing said shares of Common Stock in the name of the undersigned or in such other name as is specified below.

_____

(Name)

_____

(Address)

WARRANTHOLDER:

HERCULES TECHNOLOGY GROWTH CAPITAL, INC., a Maryland corporation

By: _____

Name: K. Nicholas Martitsch

Its: Associate General Counsel

EXHIBIT II

ACKNOWLEDGMENT OF EXERCISE

The undersigned [_____], hereby acknowledge receipt of the "Notice of Exercise" from Hercules Technology Growth Capital, Inc. to purchase [____] shares of the Common Stock of DIOMED HOLDINGS, INC., pursuant to the terms of the Warrant, and further acknowledges that [_____] shares remain subject to purchase under the terms of the Warrant.

COMPANY: DIOMED HOLDINGS, INC.

By: _____

Title: _____

Date: _____

EXHIBIT III

TRANSFER NOTICE

(To transfer or assign the foregoing Warrant execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby transferred and assigned to

_____

(Please Print)

whose address is _____

_____

Dated: _____

Holder's Signature: _____

Holder's Address: _____

Signature Guaranteed: _____

NOTE: The signature to this Transfer Notice must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatever. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

DEBENTURE HOLDER AGREEMENT AND CONSENT

This Agreement and Consent is made as of the 28th day of September, 2007, between Diomed Holdings, Inc. (the "Company"), a Delaware corporation, and the undersigned (the "Holder"), who is the registered holder of (a) certain Variable Rate Convertible Debentures due October 2008 (the "2004 Debentures") of the Company, which are convertible into shares of the Company's common stock, par value $0.001 per share (the "Common Stock") (the "Existing Conversion Shares"), and, if applicable, (b) warrants (the "Warrants") to purchase Common Stock, issued by the Company pursuant to the Securities Purchase Agreement, dated September 28, 2004, between the Company and the Purchasers of 2004 Debentures and Warrants named therein (the "2004 Purchase Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed to them in the 2004 Purchase Agreement.

WHEREAS, the Company proposes to enter into a Loan Agreement with Hercules Technology Growth Capital, Inc. or an affiliate thereof ("Hercules"), pursuant to which Hercules will loan to the Company on a secured basis up to the aggregate principal amount of $10,000,000 on the terms and conditions described in the Term Sheet annexed hereto as Exhibit A and as the Company and Hercules shall agree in the definitive documentation related thereto (the "Financing").

WHEREAS, Hercules requires the consent of the holders of the 2004 Debentures as a condition to the Financing.

WHEREAS, the Company and the Holder shall amend and restate such Holder's 2004 Debenture for Variable Rate Secured Subordinated Convertible Debenture (the "Secured 2004 Debenture"), substantially in the form of Exhibit B attached to this Agreement and Consent, which shall be convertible into Common Stock (the "Conversion Shares"), attached to which Secured 2004 Debenture, and incorporated by reference therein, is the Intercreditor Agreement to be entered into among the Holder, each other holder of the 2004 Debentures, Hercules and the Company (the "Intercreditor Agreement"), all in consideration for the agreement of the Holder as set forth herein and in exchange for the existing 2004 Debenture held by the Holder and the other holders of 2004 Debentures.

WHEREAS, the amendment and restatement of the 2004 Debentures for the Secured 2004 Debentures is being made in reliance upon the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended (the "Securities Act").

WHEREAS, concurrently herewith, the Company has also requested consents from the other Holders of 2004 Debentures pursuant to consents in form and substance identical to this Agreement (the "Other Agreements").

NOW, THEREFORE, and in consideration of the mutual promises set forth in this Agreement and Consent, the Holder (for itself and on behalf of all subsequent holders of the Secured 2004 Debenture held by it), and the Company hereby agree as follows:

---

1. The Company hereby agrees that:

(a) Contemporaneously with the closing of the Financing (the date of such closing, the "Closing Date"), and upon the execution of the Intercreditor Agreement by all parties thereto and the delivery by the Holder of the 2004 Debentures held by it, the Company will deliver to the Holder (i) the Secured 2004 Debenture, reflecting the security interest granted to the Holder and the Other Holders (as defined in Section 5(b) of this Agreement and Consent), and the reduced Conversion Price of $0.70, having a principal amount equal to the outstanding principal amount of the 2004 Debenture held by the Holder as of the date of this Agreement and Consent, (ii) a fully executed security agreement in the form attached hereto as Exhibit C (the "Security Agreement") and (iii) a fully executed subsidiary guaranty in the form attached hereto as Exhibit D (the "Guaranty"), such delivery to be in exchange for such 2004 Debenture.

(b) Contemporaneously with the closing of the Financing, the Company will file on behalf of the Holder and the Other Holders a financing statement on Form UCC-1 with the Secretary of State of the State of Delaware.

(c) By operation of the provisions of Section 3(b) of the Warrants, as a result of the issuance of the Secured 2004 Debentures, the Exercise Price of the Warrants shall be reduced to $0.70.

(d) Contemporaneously with the closing of the Financing, the Company will pay or reimburse the Holder the reasonable costs and expenses of its outside counsel [Inserted in Agreement and Consent of the Holders other than Portside Growth and Opportunity Fund:, in an amount not to exceed $5,000], to advise the Holder in connection with the negotiation and execution of this Agreement and Consent.

(e) If Hercules exercises its right to withhold its consent pursuant to the Intercreditor Agreement to the repayment of the Secured 2004 Debentures when due in accordance with their terms, then the Company will immediately repay the indebtedness incurred in the Financing to Hercules so long as the Company has received any payment (whether through payment of a judgment, settlement or otherwise) of at least $10 million in connection with the judgment in favor of the Company ordered by the U.S. District Court for the District of Massachusetts in the Company's patent infringement litigation against AngioDynamics, Inc. and Vascular Solutions, Inc. (the "'777 Patent Litigation") [Inserted in Agreement and Consent of the Holders other than Rockmore Investment Master Fund Ltd. and if so directed by the Holder, repay the Holder's Secured 2004 Debentures as soon thereafter as is reasonably practicable].

(f) The Company represents and warrants to the Holder as set forth in Section 3.1 of the 2004 Purchase Agreement as if such representations and warranties were made as of the date hereof and set forth in their entirety in this Agreement and Consent, except for those matters described in the Disclosure Schedule to this Agreement and Consent (the "Disclosure Schedule"). Such representations and warranties to the transactions thereunder and the securities issued thereby are hereby deemed for purposes of this Agreement and Consent to be references to the transactions hereunder and the issuance of the securities hereby, references therein to "Closing Date" being deemed references to the Closing Date as defined in Section 1(a) above, and references to "the date hereof" being deemed references to the date of this Agreement and Consent.

(g) The Company represents and warrants to the Holder that after giving effect to the terms of this Agreement and Consent, no Event of Default (as defined in the Secured 2004 Debentures) shall have occurred and be continuing as of the date hereof.

(h) For the purposes of Rule 144, the Company acknowledges that the holding period of (i) the Secured 2004 Debentures (including the corresponding Conversion Shares) may be tacked onto the holding period of the 2004 Debentures, and the Company agrees not to take a position contrary to this Section 1(h). The Company's representation, covenant and agreement set forth in this Section 1(h) shall be subject in all respects to Rule 144 and other applicable securities laws, as may be in effect from time to time.

(i) The '777 Patent Litigation is currently on appeal by the defendants with the judgment therein under bond. The Company has no current knowledge of any facts or circumstances (except for any filings under Chapter 11 of the United States Bankruptcy Code which may be made or any court delays and other circumstances beyond the Company's reasonable control in connection with the '777 Patent Litigation) that would (i) preclude the appeal from being decided by the Court on or prior to June 30, 2008 or (ii) assuming the appeal is unsuccessful, preclude the Company from collecting the full judgment awarded in the '777 Patent Litigation on or prior to June 30, 2008 (other than the existence of a security interest in the proceeds of the judgment in the '777 Patent Litigation granted by the Company to Hercules pursuant to the Financing, the proceeds of which, in the case of collection thereof by Hercules, would be applied to reduce or retire the Company's indebtedness to Hercules under the Financing). The Holder agrees that it has not relied upon the foregoing representation as an inducement to enter into this Agreement and Consent and agrees that the Company's other representations and warranties, agreements and covenants contained herein constitute full and adequate consideration for the Holder's execution, delivery and performance of this Agreement and Consent.

2. In connection with the Financing, notwithstanding anything to the contrary in the 2004 Purchase Agreement or the 2004 Debentures, the Holder hereby irrevocably:

(a) waives the covenants set forth in Sections 7(a) and 7(d) of the 2004 Debenture to the extent that they may relate to the Financing;

(b) consents to the incurrence by the Company of indebtedness pursuant to the Financing and to the grant of such security interests as are required to be granted to Hercules in the assets of the Company and its subsidiaries pursuant to the Financing as described in the Term Sheet and to the subordinated security interests to be granted to the Other Holders;

(c) agrees that neither the Company's issuance of the warrants proposed to be issued to Hercules, when issued on the terms described in the Term Sheet, nor the Company's issuance of additional shares to the holders of its 2006 Preferred Stock, par value $0.001 per share, upon the conversion thereof in an amount that would have been issued had the conversion price thereof been $0.70 per share, will result in an antidilution adjustment to the conversion price of the Secured 2004 Debentures or exercise price of the Warrants;

(d) agrees that the Financing shall not be deemed to be a "Subsequent Financing" as defined in the 2004 Purchase Agreement and therefore that the 2004 Purchase Agreement does not afford to the Holder any participation rights in the Financing; and

(e) agrees that neither the Holder nor its affiliates will trade in the Company's Common Stock until the earlier of (i) the Company's public announcement of the closing of the Financing, (ii) termination of negotiations between the Holder and the Company regarding the Financing and (iii) 30 days after the date hereof.

(f) agrees that until the Holder is notified by the Company that the American Stock Exchange has approved the listing of the additional shares of Common Stock issuable upon conversion of the Secured 2004 Debenture which are not already listed with the American Stock Exchange on behalf of the Holder, the Holder shall not exercise its right to convert more than 66 2/3% of the principal amount of the Secured 2004 Debenture.

3. Covenants.

(a) Disclosure of Transactions and Other Material Information. On or before 8:30 a.m., New York City time, on the first Business Day immediately following the Closing Date, the Company shall issue a press release and file a Current Report on Form 8-K describing the terms of the transactions contemplated by this Agreement and Consent and the Financing in the form required by the Exchange Act and attaching the material Transaction Documents not previously filed (including, without limitation, the form of this Agreement and Consent and the form of the Secured 2004 Debentures) (including all attachments, the "8-K Filing"). From and after the filing of the 8-K Filing with the Commission, the Holder shall not be in possession of any material, nonpublic information received from the Company, any of its Subsidiaries or any of its respective officers, directors, employees or agents, that is not disclosed in the 8-K Filing. The Company shall not, and shall cause each of its Subsidiaries and its and each of their respective officers, directors, employees and agents, not to, provide the Holder with any material, nonpublic information regarding the Company or any of its Subsidiaries from and after the filing of the 8-K Filing with the Commission without the express written consent of the Holder. Without the prior written consent of the Holder, neither the Company nor any of its Subsidiaries or affiliates shall disclose the name of the Holder in any filing, announcement, release or otherwise other than in connection with the Registration Statement, as contemplated pursuant to the Registration Rights Agreement, unless such disclosure is required by law, regulation or the Principal Market.

(b) On or before 5:30 p.m., New York City time, on the first Business Day following the date of this Agreement and Consent, the Company shall file an additional listing application with the American Stock Exchange (the "Amex Listing Application") covering the approximately 1.7 million shares of Common Stock issuable upon conversion of the Secured 2004 Debentures which are not already listed with the American Stock Exchange, and the Company shall use its reasonable best efforts to cause the Amex Listing Application to be approved as soon as is reasonably practicable. On or before 9:30 a.m., New York City time, on the first Business Day following the date that the Company is notified in writing by the American Stock Exchange that the Amex Listing Application has been approved, the Company shall provide written notice of such approval to the Holder by facsimile or email.

(c) Within five (5) calendar days of the Closing Date the Holder shall have received the opinion of the Company's counsel, McGuireWoods LLP, containing opinions regarding this Agreement and Consent and the Secured 2004 Debentures, substantially in the form set forth in Exhibit E, with customary assumptions, exceptions and exclusions consistent with those included in the legal opinion delivered to Hercules on the Closing Date, but for distinctions arising from differences in applicable law.

(d) The Company shall take all actions reasonably requested by the Holder to permit the Holder to sell the Conversion Shares without restriction pursuant to Rule 144(k) of the Securities Act.

4. Amendment to Transaction Documents. Each of the Transaction Documents are hereby amended as follows:

(a) All references to "Debentures" shall be amended to include additionally the Secured 2004 Debentures as defined in this Agreement and Consent.

(b) All references to "Conversion Shares" shall be amended to include additionally the Conversion Shares as defined in this Agreement and Consent.

(c) The defined term "Transaction Documents" is hereby amended to include this Agreement and Consent, the Intercreditor Agreement, the Security Agreement and the Guaranty.

5. Miscellaneous.

(a) No Other Changes. All other terms and conditions of the 2004 Purchase Agreement shall remain in full force and effect.

(b) Effectiveness; Other Agreements. This Agreement and Consent shall be effective at the Closing following the execution by each of the other holders of 2004 Debentures who are party to the 2004 Purchase Agreement with the Company (the "Other Holders") of the Other Agreements with substantially the same effect as this Agreement and Consent (with such adjustments as are necessary to reference the specific Company securities held by the Other Holders), provided, that this Agreement and Consent shall be null and void if the Closing Date does not occur on or before October 15, 2007. In connection with this Agreement and Consent, the Company represents and warrants that none of the terms offered to Other Holders is more favorable to such Other Holder than those of the Holder and this Agreement and Consent shall be, without any further action by the Holder or the Company, deemed amended and modified in an economically and legally equivalent manner such that the Holder shall receive the benefit of the more favorable terms contained in the Other Agreements. The Company agrees, at its expense, to take such other actions (such as entering into amendments to this Agreement and Consent) as the Holder may reasonably request to further effectuate the foregoing. Notwithstanding the foregoing, to the extent that the Company and any Other Holder enters into a transaction similar to the one contemplated hereby pursuant to an Other Agreement, all such matters are solely in the control of the Company, not the action or decision of the Holder, and would be solely for the convenience of the Company and not because it was required or requested to do so by the Holder or any such other third party holder.

(c) Disclosure of Financing Status. The Company shall promptly public disclose to the Holder (i) the termination or cessation of any discussions in which the Company may be involved with respect to the Financing and (ii) the status of any such discussions if the consummation of the closing of the Financing or the termination or cessation of any such discussions has not been publicly disclosed on or prior to the 30th day after the date hereof.

(d) Holder Independence. The Company acknowledges and agrees that nothing contained herein and no action taken by the Holder pursuant hereto or in connection herewith shall be deemed to constitute the Holder and any Other Holder or other third party holder of the Company's securities as a partnership, an association, a joint venture or any other kind of group or entity, or create a presumption that the Holder or any Other Holder or other such third party holders are in any way acting in concert or as a group or entity with respect to such obligations or the transactions contemplated hereby or any other matters. The Company further acknowledges and agrees that the Holder is not acting in concert or as a group with any Other Holder or other third party holders of the Company's securities with respect to such obligations or the transactions contemplated by this Agreement and Consent. The decision of the Holder to enter into this Agreement and Consent and to consummate the transaction contemplated hereby has been made by the Holder independently of any Other Holder or other third party holder of the Company's securities. The Company hereby confirms that the Holder has independently participated with the Company in the negotiation of the transaction contemplated hereby with the advice of its own counsel and advisors. The Holder shall be entitled to independently protect and enforce its rights under this Agreement and Consent, and it shall not be necessary for any such other third party holder to be joined as an additional party in any proceeding for such purpose.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have signed this Agreement and Consent as of the date and year set forth above.

NAME OF DEBENTURE HOLDER:

_____

By: _____

(Signature of authorized person above)

Name:

Title:

DIOMED HOLDINGS, INC.

By: _____

Name: David Swank

Title: Chief Financial Officer

Signature Page

Debenture Holder Agreement and Consent

EXHIBIT A - HERCULES TERM SHEET

Below is a summary of the principal business considerations related to our growth capital financing loan proposal.

Commitment Amount:	**$10,000,000**	
Interest Rate (1)	Prime + 3.20	%
Deferred Interest Charge (2)	9.50	%

(1) Wall Street Journal Prime, which surveys large US banks and publishes the consensus prime rate. As of the date of this Document, Prime is 8.25%.

(2) One time payment due at maturity and calculated against funds borrowed.

Lender: Hercules Technology Growth Capital, Inc. and any affiliate or transferee. *('Hercules" or 'Lender").*

Borrower: Diomed Holdings, Inc. and its subsidiaries. ('Diomed" or 'Borrower").

Term Sheet Expiration: September 26, 2007.

Loan Closing: Best efforts to close by October 2, 2007.

Availability Period: The commitment is available as follows:

Tranche A: $6.0 million of Loan Commitment is funded at closing.

***Tranche B*:** Remaining $4.0 million will be available at Borrower's option beginning January 31, 2008 and will remain available through March 30, 2008.

Use of Proceeds: The proceeds of the Loan will be used for general corporate purposes.

Interest-only Period: Through June 1, 2008.

Amortization: Beginning on July 1, 2008, Borrower shall repay Principal on a schedule comprised of twenty-four equal monthly principal and interest payments.

Maturity: July 1, 2010.

Collateral: The Loan will be secured by a perfected first position lien on all of the borrower's assets, including Intellectual Property ("IP"). This lien will allow for licensing in the normal course of business.

Warrant: A warrant (the "Warrant") will be issued by Borrower to Lender to purchase $100,000 worth of shares of common stock at an Exercise Price of $0.70.

Option to invest: Borrower shall grant to Lender the option to invest up to $1.0 million in a subsequent institutional equity financing on the same terms, conditions, and pricing offered to the investors in such subsequent equity financing. This option to invest does not apply to equity transactions with strategic partners or regular shelf registered offerings.

Success Fee: Borrower shall remit the following cash payments to Lender:

1) $200,000 at Loan Closing.
2) $900,000 on June 30, 2008
3) Borrower shall remit a cash payment to Lender in an amount equal to 1.00% of any gross consideration paid for the acquisition of the business of Diomed Holdings and its operating subsidiaries.

Financial Covenants: No financial ratio covenants.

Reporting Requirements: Borrower will furnish to Lender monthly and quarterly financial statements, annual audited financial statements and all materials provided to the shareholders along with other financial information Lender reasonably requests or generally provided to other Holders of the common stock.

Expenses: Borrower shall pay the invoiced expenses, including UCC searches, filing costs, and other miscellaneous expenses, and reasonable fees of counsel (in-house and outside) applicable to drafting, negotiating and/or finalizing the Loan.

Commitment Fee: A Commitment Fee of 2.0% of the Commitment Amount is required in order for Lender to commence the due diligence process. In the event that the transaction is not approved, the Commitment Fee shall be returned in its entirety to Borrower (minus due diligence expenses). In the event of approval, the Commitment Fee will be applied in its entirety as a Facility Fee and towards the Lender's non-legal transaction costs and due diligence expenses {Paid}.

In consideration of the time, cost and expense devoted, and to be devoted, by the Lender in connection with the transaction contemplated by this proposal, Borrower agrees that until Loan Closing (the "Exclusive Period") it will not (a) solicit or entertain any proposal, (b) negotiate with any other person, or (c) provide any information with respect to Borrower to any person who might be expected to propose alternate financing, or Commitment Fee will be deemed earned in full.

The proposed terms and conditions are provided for discussion purposes only and do not represent an agreement or commitment to lend, provided however that the terms entitled and associated with "Expenses", "Commitment Fee" and "Exclusive Period" shall be binding obligations of the parties hereto. The actual terms and conditions upon which the Lender may agree to extend credit to the Borrower are subject to satisfactory completion of due diligence, internal credit approvals, satisfactory review of documentation and such other terms and conditions as may be determined by Lender and which would be contained in definitive legal documents for the loan contemplated hereby.

If the basic terms are acceptable, please fax an executed copy of this letter to 866-468-8916 and wire payment of the Commitment Fee. **This offer will expire at 5PM (ET) on September 26, 2007** unless accepted by Borrower or extended by Lender. We look forward to your response. Please feel free to call us at 617-261-6553 (work) or 617-877-9663 (cell).

We appreciate your consideration of this proposal. We look forward to the opportunity to work together and establish a long-term strategic relationship with you and Diomed, Inc.

Sincerely,

Parag Shah
Sr. Managing Director & Group Head, Life Sciences
Hercules Technology Growth Capital, Inc.

R. Bryan Jadot
Principal, Life Sciences
Hercules Technology Growth Capital, Inc.

AGREED AND ACCEPTED this _____ day of _____ 2007

Diomed, Inc.

By: _____
Name: _____
Title: _____

EXHIBIT B - FORM OF SECURED 2004 DEBENTURE
(See attached)

EXHIBIT C - FORM OF SECURITY AGREEMENT
(See attached)

EXHIBIT D - FORM OF SUBSIDIARY GUARANTY
(See attached)

EXHIBIT E - FORM OF LEGAL OPINION

Based on and subject to the foregoing and the other exclusions, qualifications, limitations, and assumptions set forth in this opinion letter, we are of the opinion that:

1. Organizational Status. Based solely on the Good Standing Certificates, each [Obligor] is in good standing under the laws of the State of Delaware and Diomed, Inc. is in good standing as a foreign corporation under the laws of the commonwealth of Massachusetts. As of the date set forth in the respective Good Standing Certificate and based solely on the respective Charter, each [Obligor] is validly existing under the laws of the State of Delaware as of the date set forth in such Charter.

2. Power and Authority. Each [Obligor] has the corporate power and authority to execute, deliver, and perform the terms and provisions of each Subject Document to which it is party and has taken all necessary organizational action to authorize the execution, delivery, and performance thereof.

3. Execution, Validity, and Enforceability. Each [Obligor] has duly executed and delivered each Subject Document to which it is party, and each such Subject Document constitutes the valid, binding, and enforceable obligation of such [Obligor].

4. Noncontravention. Neither the execution, delivery, and performance by each [Obligor] of any Subject Document to which it is a party, nor the compliance by each [Obligor] with the terms and provisions thereof: (a) violates any present law, statute, or regulation of the State of New York or the United States (including Regulations T, U and X of the Board of Governors of the Federal Reserve System) that, in each case, is applicable to such [Obligor]; (b) violates any provision of the Governing Documents of such [Obligor]; or (c) results in any breach of any of the terms of, or constitutes a default under, any of the Reviewed Agreements or results in the creation or imposition of any lien, security interest, or other encumbrance (except as contemplated or otherwise permitted by the Subject Documents) upon any assets of such [Obligor] pursuant to the terms of any of the Reviewed Agreements.

5. Governmental Approvals. No consent, approval, or authorization of, or filing with, any governmental authority of the State of New York or the United States that, in each case, is applicable to each [Obligor] is required for: (a) the due execution, delivery, and performance by such [Obligor] of any Subject Document to which it is a party, or (b) the validity, binding effect, or enforceability of any Subject Document to which such [Obligor] is a party, except (i) in each case, as have previously been made or obtained, (ii) filings and recordings that are necessary to perfect the liens and security interests granted under the Subject Documents (including the filing of financing statements under the Uniform Commercial Code), and (iii) consents, approvals, authorizations, or filings as may be required to be obtained or made by the [Holder] as a result of their involvement in the transactions contemplated by the Subject Documents.

6. UCC Matters. After giving effect to the making of the loans or other extensions of credit on the date hereof as contemplated by the Loan Agreement:

(a) the Subject Documents are effective to create an attached security interest (the "Article 9 Security Interest") under Article 9 in favor of the [Holder] in that portion of the personal property included within the term "Collateral" (as defined in the Loan Agreement) in which a security interest can be granted under Article 9 (collectively, the "Article 9 Collateral");

(b) and upon filing the Financing Statement with the UCC Filing Office and the acceptance for filing thereof, with the appropriate filing fee tendered, the [Holder] will have a perfected security interest in those items of the Article 9 Collateral in which a security interest may be perfected under Article 9 by the filing of a financing statement with the UCC Filing Office;

(c) and upon the execution by all parties thereto and delivery of the Account Control Agreements, such Account Control Agreements are effective under the New York UCC to create a valid, perfected security interest in favor of the [Holder] in the deposit accounts described in such Account Control Agreements; and

(d) after giving effect to the delivery by the [Obligor]s to the [Holder] in pledge, within the State of New York and pursuant to the Pledge Agreement, of each of the stock certificates representing the shares of capital stock of Diomed Inc., Diomed PDT, Inc. and Diomed Acquisition Corp. (the "Pledged Shares") to the [Holder], together with properly completed and effective stock powers endorsing the Pledged Shares and duly executed by the [Obligor] in blank, and assuming the continued possession of such Pledged Shares and of such stock powers by the [Holder] within the State of New York, the [Holder] shall acquire a valid security interest in all right, title and interest of the [Obligor] in the Pledged Shares pursuant to the Pledge Agreement, to the extent that a security interest therein may be created pursuant to Division 9 of the New York UCC, and such security interest will be perfected, with the consequences of perfection by control with respect to the Pledged Shares accorded by the New York UCC.

7. Common Stock. The shares of Holdings Common Stock, par value $0.001 per share (the "Common Stock"), issuable upon conversion of the Secured 2004 Debentures have been duly authorized, free from preemptive rights, and, based solely on instructions addressed to Holdings' Common Stock transfer agent, Continental Stock Transfer and Trust Co., reserved for issuance upon such exercise. When issued and so delivered to [Holder] in accordance with the terms of the Secured 2004 Debentures, such shares will be validity issued, fully paid and non-assessable.

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8. Exemption from Registration. The offer and sale of the Secured 2004 Debentures pursuant to the Agreement and Consent and the issuance of the Conversion Shares thereunder in accordance with the Secured 2004 Debentures constitute and will constitute transactions exempt from the registration requirements of Section 5 of the Securities Act of 1933, as amended.

9. Eligibility for Resale under Rule 144(k). The resale of Conversion Shares by the [Holder] shall be exempt from the registration requirements of Section 5 of the Securities Act of 1933, as amended, pursuant to Rule 144(k) promulgated thereunder, assuming that the [Holder] is not, and for the three-month period preceding the date of such resale has not been, an affiliate of the [Company] within the meaning of paragraph (a)(1) of Rule 144 under the Securities Act.

10. Proceedings. To our knowledge, there is no outstanding judgment, action, suit, or proceeding pending or threatened in writing against either [Obligor] before any court, governmental agency, or arbitrator that challenges the legality, validity, binding effect, or enforceability of any Subject Document to which such [Obligor] is a party.

11. Investment Company Act. Each [Obligor] is not an "investment company" or a company "controlled by" an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

INTERCREDITOR AGREEMENT

THIS INTERCREDITOR AGREEMENT (this "**Agreement**"), dated as of September 28, 2007, (the "**Effective Date**"), by and between **Hercules Technology Growth Capital, Inc.** ("**Senior Creditor**") and each of **Iroquois Capital LP, Cranshire Capital, L.P., Portside Growth and Opportunity Fund and Rockmore Investment Master Fund Ltd.** (together, the "**Subordinated Creditor**"). Capitalized terms used but not otherwise defined herein shall have the meanings given them in Section 1 below.

RECITALS

A. Senior Creditor and each of Diomed Holdings, Inc. and Diomed, Inc., each a Delaware corporation (together, the "**Borrower**"), have entered into that certain Loan and Security Agreement dated as of September 28, 2007 (as the same may be amended, restated, or otherwise modified from time to time, the "**Senior Creditor Agreement**"). The funds advanced to or owed by Borrower under the Senior Creditor Agreement shall be referred to collectively herein as the "**Senior Loans**." To secure the Senior Loans, Borrower granted to Senior Creditor under the Senior Creditor Agreement a security interest in all of Borrower's personal property assets. The making of the Senior Loans and the granting of the security interest in all of Borrower's personal property assets are hereinafter referred to as the "**Senior Transactions**".

B. Prior to the date hereof, Diomed Holdings, Inc. issued one or more Variable Rate Convertible Debentures (the "**Existing Debenture**") to the Subordinated Creditor.

C. The Existing Debenture prohibits the consummation of the Senior Transactions.

D. The Subordinated Creditor is willing to permit the Borrower to enter into the Senior Transactions, subject to, among other things, the execution and delivery of an amendment to the Variable Rate Convertible Debenture, pursuant to which, among other things, the Subordinated Creditor shall receive a security interest in substantially all of the Borrower's personal property assets.

E. Subordinated Creditor and Senior Creditor desire to establish and agree upon their respective rights, priorities and interests governing their respective relationships with Borrower and any collateral for the loans granted pursuant to the Subordinated Loan Documents and the Senior Loan Documents at all times on and after the Effective Date.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, Senior Creditor and Subordinated Creditor hereby agree as follows:

1. DEFINITIONS; EFFECTIVENESS

As used herein, the following terms shall have the following meanings:

"**Availability Period**" has the meaning set forth in the Senior Creditor Agreement.

"**Insolvency Proceeding**" is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"**Lien**" means any mortgage, deed of trust, pledge, hypothecation, assignment for security, security interest, encumbrance, lien or charge of any kind, whether voluntarily incurred or arising by operation of law or otherwise, against any property, any conditional sale or other title retention agreement, and any lease in the nature of a security interest, and the filing of any financing statement (other than a precautionary financing statement with respect to a lease that is not in the nature of a security interest) under the UCC or comparable law of any jurisdiction.

"**Lien Enforcement Action**" means (a) any action by Senior Creditor to foreclose on the Lien of such Person in any Collateral, (b) any action by Senior Creditor to take possession of, sell or otherwise realize (judicially or non-judicially) upon any Collateral (including, without limitation, by setoff or notification of account debtors), and/or (c) the commencement by Senior Creditor of any legal proceedings against the Borrower or with respect to any Collateral to facilitate the actions described in (a) or (b) above.

"**Permitted Subordinated Debt Payments**" means payments of interest on the Subordinated Debt due and payable in accordance with the terms of the Subordinated Loan Documents as in effect on the date hereof or as modified in accordance with the terms of this Agreement (for the avoidance of doubt, the Subordinated Creditor may receive payment of or reimbursement for reasonable fees and expenses of counsel to the Subordinated Creditor incurred in connection with the negotiation, documentation and closing of the transactions contemplated hereby).

"**Person**" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, other entity or government.

"**Remedies Notice**" has the meaning set forth in Section 9(b).

"**Reorganization Securities**" means (a) any common equity securities and any other equity securities that do not contain a mandatory redemption provision, put right or any other such similar right or require dividends (other than dividends paid in kind) to be paid on a date prior to the date that all Senior Debt is due or paid in full in cash and (b) any securities of the Borrower that are distributed to any Subordinated Creditor in respect of the Subordinated Debt and that (i) are subordinated in right of payment to the Senior Debt (or any debt or equity securities issued in substitution of all or any portion of the Senior Debt) to at least the same extent as the Subordinated Debt is subordinated to the Senior Debt hereunder and (ii) do not have any terms, and are not subject to or entitled to the benefit of any agreement or instrument that has terms, that are more advantageous to the Subordinated Creditors or that are more burdensome to the issuer of or other obligor on such debt or equity securities than are, in either case, the terms of the Senior Debt (or any debt or equity securities issued in substitution for all or any portion of the Senior Debt). Additionally, "Reorganization Subordinated Securities", shall include (A) any equity securities and/or debt securities which are distributed pursuant to a plan of reorganization accepted by the class of Senior Debt so long as such equity or debt securities are distributed both on account of the Senior Debt and the Subordinated Debt and so long as such equity or debt securities are subject to the provisions of this Agreement and the terms of this Agreement will apply with like effect to such securities, and (B) any equity securities and/or debt securities deemed in writing by Senior Creditor to constitute Reorganization Securities.

"**Senior Creditor Warrants**" means any and all warrants issued by a Borrower to the Senior Creditor.

"Senior Debt" means any and all indebtedness and obligations (including, without limitation, principal, premium (if any), interest, fees, charges, expenses, costs, professional fees and expenses, and reimbursement and indemnity obligations) at any time or from time to time owing from Borrower to Senior Creditor under the Senior Loan Documents or otherwise, including but not limited to such amounts as may accrue or be incurred before or after default or workout or the commencement of any liquidation, dissolution, bankruptcy, receivership, or reorganization case by or against Borrower; provided, however, the aggregate outstanding principal amount of Loans constituting Senior Debt shall not exceed at any one time outstanding, (a) the greater of (i) $6,600,000 and (ii) the sum of (A) $6,600,000 and (B) 110% of the Term Loan Advances (not to exceed $4,400,000) made during the Availability Period) minus (b) the amount of all payments and prepayments of principal made with respect to such Loans.

"**Senior Default Notice**" means a written notice from Senior Creditor to Subordinated Creditor that a Senior Payment Default has occurred.

"Senior Loan Documents" means the Senior Creditor Agreement and any security agreement, pledge agreement, promissory note, UCC financing statement, account control agreement or any other agreement, instrument or document, excluding the Senior Creditor Warrants, executed by Borrower pursuant to or in connection with the Senior Debt or the Senior Creditor Agreement including, for the avoidance of doubt, any Loan Document (as defined in the Senior Creditor Agreement), as any of the foregoing may from time to time be amended, modified, supplemented, extended, renewed, restated or replaced.

"**Senior Payment Default**" means an Event of Default exists by reason of either (i) Borrower's failure to pay a monetary obligation constituting Senior Debt (including by virtue of acceleration or otherwise), or (ii) the commencement of any Insolvency Proceeding by or against Borrower has occurred and is continuing under the Senior Credit Agreement.

"**Standstill Period**" has the meaning set forth in Section 2.

"**Subordinated Creditor Warrants**" means any and all warrants issued by a Borrower to a Subordinated Creditor.

"Subordinated Debt" means any and all indebtedness and obligations (including, without limitation, principal, premium (if any), interest, fees, charges, expenses, costs, professional fees and expenses, and reimbursement obligations) at any time or from time to time owing from Borrower to Subordinated Creditor (or the affiliates or subsidiaries of Subordinated Creditor) under the Subordinated Loan Documents, including but not limited to such amounts as may accrue or be incurred before or after default or workout or the commencement of any liquidation, dissolution, bankruptcy, receivership, or reorganization case by or against Borrower.

"Subordinated Loan Documents" means that certain Securities Purchase Agreement entered into between Subordinated Creditor and Diomed Holdings, Inc. dated as of September 28, 2004, each Variable Rate Convertible Debenture entered into between a Subordinated Creditor and Diomed Holdings, Inc. and any financing statement, other agreement, instrument or document, other than the Subordinated Creditor Warrants, executed by Borrower pursuant to or in connection therewith, as the same may from time to time be amended, modified, supplemented, extended, renewed, restated or replaced.

"**Term Loan Advances**" has the meaning set forth in the Senior Creditor Agreement (as in effect on the date hereof).

Unless otherwise specified, all references in this Agreement to a "Section" shall refer to the corresponding Section in or to this Agreement. Other capitalized terms used herein and not otherwise defined herein shall have the meaning given such terms in the Uniform Commercial Code as in effect in the State of California, as in effect from time to time (the "**UCC**") or in the Senior Loan Documents.

2. SUBORDINATION

(a) On the terms and conditions set forth below, Subordinated Creditor's right to payment and performance of the Subordinated Debt and any and all liens and security interests securing the Subordinated Debt are hereby subordinated to Senior Creditor's right to full payment and performance of the Senior Debt and all liens and security interests securing the Senior Debt. The Subordinated Creditor shall not ask, demand, sue for, take or receive from Borrower, by setoff or in any other manner, the whole or any part of any monies which may now or hereafter be owing by Borrower to Subordinated Creditor, or be owing by any other person to Subordinated Creditor under a guaranty or similar instrument, on account of the Subordinated Debt, nor any collateral security for any of the foregoing, including, without limitation, any personal property collateral granted to Subordinated Creditor pursuant to the Subordinated Loan Documents, unless and until the Senior Debt shall have been fully paid in cash and all commitments to extend credit under the Senior Creditor Agreement shall have been terminated (the temporary reduction of outstanding obligations, liabilities and indebtedness of Borrower to Senior Creditor not being deemed to constitute full payment or satisfaction thereof), provided that (i) the Subordinated Creditor may receive Reorganization Securities, (ii) the Subordinated Creditor may exercise the Subordinated Creditor Warrants in accordance with terms thereof, (iii) the Subordinated Creditor may be granted a subordinate security interest in the Collateral in accordance with the terms of clause (c) below pursuant to the Subordinated Loan Documents as in effect on the date hereof, and (iv) the Subordinated Creditor may file lawsuits solely to prevent the running of any applicable statute of limitations or other similar restrictions on claims with respect to the Subordinated Debt and so long as the adjudication of such lawsuit and any remedies granted as a result therefore shall be otherwise subject to the terms of this Agreement in all respects.

(b) Notwithstanding clause (a) above, the Borrower shall be permitted to pay, and the Subordinated Creditor shall be permitted to receive, any Permitted Subordinated Debt Payment so long as at the time of such payment, or after giving effect thereto, no Senior Payment Default exists, and such Senior Payment Default shall not have been cured or waived. The Borrower shall not be permitted to prepay or repay the Subordinated Debt without the written consent of the Senior Creditor.

(c) Any existing security interest in or lien on any property of Borrower in favor of Subordinated Creditor shall be, and hereby are agreed to be, junior and subordinated to the security interests and liens securing the Senior Debt. If any lien shall be created or shall arise in favor of Subordinated Creditor, whether by operation of law or otherwise, in or on any property of Borrower or any of its subsidiaries or affiliates to secure all or any portion of the Subordinated Debt, then the liens granted by Borrower in any such property in favor of Senior Creditor to secure the Senior Debt shall in all respects be first and senior liens, superior to such liens that may be created or arise, and superior to any security interest or lien that may exist on the date hereof, in either case which liens are in favor of Subordinated Creditor securing the Subordinated Debt notwithstanding (i) the date, manner or order of creation, attachment or perfection of any such security interests or liens, (ii) the provisions of the UCC or any other applicable statutes or court decisions that would provide otherwise in the absence of this Agreement, (iii) the provisions of any contract between Subordinated Creditor, on the one hand, and Borrower or any subsidiary or affiliate thereof, on the other, and (iv) whether Subordinated Creditor or any agent or bailee thereof holds possession of any part any such collateral. In the event Subordinated Creditor shall have or obtain possession of any such property or shall, in contravention of this Agreement, foreclose upon or enforce its security interest or lien upon any such property, whether by self-help, judicial action or otherwise, then (A) all such property shall be immediately delivered to Senior Creditor or, if not deliverable, all cash or non-cash proceeds and profits of such property shall be paid over to Senior Creditor, without any deduction or offset, and (B) until duly delivered or paid to Senior Creditor, any such property or cash or non-cash proceeds and profits of such property shall be held in trust for the benefit of Senior Creditor, in the case of each of clause (A) and clause (B), unless and until all of the Senior Debt shall have been paid in cash in full and all commitments to extend credit under the Senior Creditor Agreement shall have been terminated.

(d) A copy of this Agreement may be filed as a financing statement in any Uniform Commercial Code recording office.

(e) The subordination contained in this Agreement is intended to define the rights and duties of Subordinated Creditor and Senior Creditor; it is not intended that any third party (including Borrower or any of its subsidiaries or affiliates, any bankruptcy trustee, receiver, or debtor-in-possession) shall benefit from it. If the effect of the subordination contained in this Agreement would be to give any third party a priority status to which that party would not otherwise be entitled, then that provision shall, to the extent necessary to avoid that priority, be given no effect and the rights and priorities of Senior Creditor and Subordinated Creditor shall be determined in accordance with applicable law and this Agreement.

Notwithstanding anything to the contrary in this Section 2, upon the earliest to occur of (i) acceleration of the Senior Debt, (ii) the occurrence of an Insolvency Proceeding involving Borrower, (iii) notice by the Subordinated Creditor to the Senior Creditor that an Event of Default in payment of the Subordinated Debt has occurred and is continuing and for a period of 150 days thereafter (the "**Standstill Period**"), or (iv) the filing by the Senior Creditor of a complaint commencing judicial foreclosure against all or substantially all of the Collateral or other judicial enforcement of the terms and provisions of the applicable Senior Loan Documents, upon 5 Business Days prior written notice to the Senior Creditor, the Subordinated Creditor may accelerate the Subordinated Obligations, provided that any payment or distribution received by the Subordinated Creditor (other than Reorganization Securities) shall be received in trust for the benefit of the Senior Creditor and shall be forthwith paid over to the Senior Creditor, for the benefit of the Senior Creditor. Nothing herein shall limit or impair the right of the (x) Subordinated Creditor to bid for or purchase Collateral at any private or judicial foreclosure upon such Collateral initiated by Senior Creditor (so long as, if in the event, Subordinated Creditor "credit bids", all or a portion of, the Subordinated Debt in such private or judicial sale, the Senior Creditor shall be entitled to receive in cash that portion of the Subordinated Debt that is "credit bid" in such private or judicial sale by the Subordinated Creditor), (y) Subordinated Creditor to join (but not control) any foreclosure or other judicial lien enforcement proceeding with respect to the Collateral initiated by Senior Creditor, so long as it does not delay or interfere in any material respect with the exercise by Senior Creditor of its rights as provided in this Agreement and (z) Subordinated Creditor to receive any remaining proceeds of Collateral after satisfaction and payment in full in cash of all Senior Debt.

3. ASSIGNMENT OF SUBORDINATED DEBT

Subordinated Creditor hereby covenants to Senior Creditor that prior to the termination of this Agreement in accordance with Section 8, the entire Subordinated Debt created in favor of Subordinated Creditor shall continue to be owing only to Subordinated Creditor, and any collateral security therefor (including, without limitation, any collateral security granted to Subordinated Creditor pursuant to the Subordinated Loan Documents) shall continue to be held solely for the benefit of Subordinated Creditor, unless assigned pursuant to an assignment in which the assignee agrees in writing to be bound by all of the terms and provisions of this Agreement. Any promissory note issued pursuant to the Subordinated Loan Documents shall be legended to expressly state that it is subject to this Agreement.

4. SENIOR CREDITOR'S PRIORITY

In the event of any distribution, division, or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the property of Borrower or any of its subsidiaries or affiliates or the proceeds thereof to the creditors of Borrower or any of its subsidiaries or affiliates, or the readjustment of the Senior Debt and the Subordinated Debt, whether by reason of liquidation, bankruptcy, arrangement, receivership, assignment for the benefit of creditors or any other action or proceeding involving the readjustment of all or any part of the Senior Debt or the Subordinated Debt, or the application of the property of Borrower or any of its subsidiaries or affiliates to the payment or liquidation thereof, or upon the dissolution, liquidation, reorganization, or other winding up of Borrower's or any of its subsidiaries' or affiliates' business, or upon the sale of all or any substantial part of Borrower's or any of its subsidiaries' or affiliates' property (any of the foregoing being hereinafter referred to as an "**Insolvency Event**"), then, and in any such event, Senior Creditor shall be entitled to receive the payment in cash in full of the Senior Debt before Subordinated Creditor shall be entitled to receive any payment on account of the Subordinated Debt, and to that end and in furtherance thereof:

(a) All payments and distributions of any kind or character, whether in cash, property, or securities (other than a distribution of Reorganization Securities), in respect of the Subordinated Debt to which Subordinated Creditor would be entitled if the Subordinated Debt were not subordinated pursuant to this Agreement, shall be paid to Senior Creditor and applied in payment of the Senior Debt; and

(b) Notwithstanding the foregoing, if any payment or distribution of any kind or character, whether in cash, properties or securities (other than a distribution of Reorganization Securities), shall be received by Subordinated Creditor on account of the Subordinated Debt before all of the Senior Debt has been paid, then such payment or distribution shall be received by Subordinated Creditor in trust for and shall be immediately paid over to Senior Creditor for application to the payments of amounts due on the Senior Debt until the Senior Debt shall have been paid in cash in full.

5. GRANT OF AUTHORITY

In the event of the occurrence of an Insolvency Event, and to enable Senior Creditor to enforce its rights hereunder in any of the aforesaid actions or proceedings, Senior Creditor is hereby irrevocably authorized and empowered, in Senior Creditor's discretion, as follows:

(a) Senior Creditor is hereby irrevocably authorized and empowered (in its own name or in the name of Subordinated Creditor or otherwise), but shall have no obligation, (i) to demand, sue for, collect and receive every payment or distribution referred to in Section 4, and give acquittance therefor and (ii) (if Subordinated Creditor has failed to file claims or proofs of claim on or before ten (10) days prior to the last date such claims or proofs of claim may be filed pursuant to law or the order of any court exercising jurisdiction over such proceeding) to file claims and proofs of claim. The Subordinated Creditor will take such reasonable action as the Senior Creditor may reasonably request to enable the Senior Creditor to enforce any claim or proof of claim filed by the Senior Creditor in accordance with clause (ii) above.

(b) To the extent that payments or distributions on account of the Subordinated Debt are made in property or securities other than cash, Subordinated Creditor authorizes Senior Creditor to sell or dispose of such property or securities (other than a distribution of Reorganization Securities) on such terms as are commercially reasonable in the situation in question. Following full payment in cash of the Senior Debt and the termination of all commitments related thereto, Senior Creditor shall remit to the Subordinated Creditor (with all necessary endorsements), to the extent of Subordinated Creditor's interest therein, all payments and distributions of cash, property, or securities paid to and held by Senior Creditor in excess of the allowed amount of the Senior Debt.

6. PAYMENTS RECEIVED BY SUBORDINATED CREDITOR

Should any payment, distribution, or security (other than a distribution of Reorganization Securities) be received by the Subordinated Creditor upon or with respect to the Subordinated Debt in contravention of this Agreement or other than those amounts discussed in Section 2, prior to termination of this Agreement in accordance with Section 8, Subordinated Creditor shall receive and hold the same in trust for the benefit of Senior Creditor and shall immediately deliver the same to Senior Creditor in precisely the form received (except for the endorsement or assignment of Subordinated Creditor where necessary) for application to the Senior Debt (and the permanent reduction thereof), and, until so delivered, the same shall be held in trust by such Subordinated Creditor for the benefit of Senior Creditor; provided that notwithstanding anything to the contrary contained in this Agreement, the Subordinated Creditor may (i) receive and retain Conversion Shares (as defined in the Subordinated Loan Documents) and Reorganization Securities and (ii) exercise the Subordinated Creditor Warrants in accordance with the terms thereof.

7. FURTHER ASSURANCES; COOPERATION; NO OFFSET

Subordinated Creditor agrees to cooperate with Senior Creditor and to take all actions that Senior Creditor may reasonably require to enable Senior Creditor to realize the full benefits of this Agreement. Subordinated Creditor agrees not to offset any amounts owing to Borrower against the Subordinated Debt, but shall pay all such amounts in accordance with their terms.

8. TERMINATION OR AMENDMENT OF AGREEMENT; NO AMENDMENTS

This Agreement shall be effective upon its execution by each of Senior Creditor and Subordinated Creditor. After the Effective Date, this Agreement shall remain in effect and shall not be revoked or amended by Subordinated Creditor, except with the prior written consent of the Senior Creditor. Senior Creditor and Subordinated Creditor agree that no amendment hereto shall be binding upon Borrower unless Borrower shall have received notice of such amendment. Subject to Section 12, this Agreement shall terminate upon the date on which the Senior Debt has been paid in cash in full and all commitments to extend credit under the Senior Creditor Agreement has been terminated. No amendment of the Subordinated Loan Documents shall directly or indirectly modify the provisions of this Agreement in any manner which might terminate or impair the subordination of the Subordinated Debt or the subordination of the security interest or lien that Subordinated Creditor may have in any property of Borrower. By way of example, the Subordinated Loan Documents shall not be amended to (i) increase the rate of interest with respect to the Subordinated Debt, (ii) increase the principal amount of the Subordinated Debt, (iii) accelerate the payment of the principal or interest or any other portion of the Subordinated Debt or (iv) increase the warrants or other equity issued to Subordinated Creditor in consideration of the funding of the Subordinated Debt. No amendment of the Senior Loan Documents shall directly or indirectly (a) increase the interest rate applicable to any of the Senior Debt by more than 2.0% (excluding increases resulting from the accrual of interest at the default rate), (b) extend the scheduled maturity of the Senior Debt, (c) add any additional restrictions or limitations with respect to the payment of the Subordinated Debt, (d) modify (or have the effect of modification of) any prepayment provisions thereof, or (e) change (to earlier dates) any dates upon which payments of principal or interest are due thereon.

9. ADDITIONAL AGREEMENTS

(a) Senior Creditor may administer and manage its credit and other relationships with Borrower in its own best interest, without notice to or consent of Subordinated Creditor. Subject to the limitations contained in Section 8 hereof, at any time and from time to time, Senior Creditor may enter into any amendment or agreement with Borrower as Senior Creditor may deem proper, including without limitation extending the time of payment of or renewing or otherwise altering the terms of all or any of the obligations constituting Senior Debt or affecting the collateral security for, supporting or underlying any or all of the Senior Debt, and may exchange, sell, release, surrender or otherwise deal with any such collateral without in any way thereby impairing or affecting this Agreement, and all such additional agreements and amendments shall be Senior Loan Documents evidencing the Senior Debt; provided, that neither this Section 9 nor any provision of such agreements shall affect the limitations contained in the definitions of "Senior Creditor" or "Senior Debt"; provided further that any sale or other disposition of the Collateral shall be conducted in a commercially reasonable manner and the proceeds of Collateral shall be applied to the permanent reduction of the indebtedness constituting Senior Debt.

(b) The Senior Creditor will give the Subordinated Creditor 2 Business Days written notice of its intent to commence any Lien Enforcement Action with respect to the Collateral (a "**Remedies Notice**")

10. SUBROGATION

If cash or other property otherwise payable or deliverable to the Subordinated Creditor or on account of the Subordinated Debt shall have been applied pursuant to this Agreement to the payment of the Senior Debt, and if the Senior Debt shall have been paid in cash in full and all commitments to extend credit under the Senior Creditor Agreement shall have been terminated, then Subordinated Creditor shall be subrogated to any rights of Senior Creditor to receive further payments or distributions applicable to the Senior Debt until the Subordinated Debt shall have been fully paid. No such payments or distributions received by the Subordinated Creditor by reason of such subrogation shall, as between Borrower and its creditors other than Senior Creditor, on the one hand, and Subordinated Creditor, on the other hand, be deemed to be a payment by Borrower on account of the Subordinated Debt owed to Subordinated Creditor. For purposes of this Agreement, payments made by the Borrower not in contravention of this Agreement to the Subordinated Creditor in respect of the Subordinated Debt with proceeds of loans by Senior Creditor to Borrower shall not be construed to constitute proceeds of Collateral.

11. SUBORDINATED CREDITOR'S WAIVERS AND COVENANTS

(a) Without limiting the generality of any other waiver made by Subordinated Creditor in this Agreement, Subordinated Creditor hereby expressly waives (i) reliance by Senior Creditor upon the subordination and other agreements herein provided, and (ii) any claim that Subordinated Creditor may now or hereafter have against Senior Creditor arising out of any and all actions that Senior Creditor, in good faith, takes or omits to take (A) with respect to the creation, perfection or continuation of liens in or on any collateral security for the Senior Debt, (B) with respect to the foreclosure upon, sale, release, or depreciation of, or failure to realize upon, any of the collateral security for the Senior Debt, (C) with respect to the collection of any claim for all or any part of the Senior Debt from any account debtor, guarantor or any other third party and (D) with respect to the valuation, use, protection or release of any collateral security for the Senior Debt.

(b) Without limiting the generality of any other covenant or agreement made by Subordinated Creditor in this Agreement, Subordinated Creditor hereby covenants and agrees that (i) Senior Creditor has not made any warranties or representations with respect to the due execution, legality, validity, completeness or enforceability of the Senior Creditor Agreement or any of the other Senior Loan Documents, or the collectibility of the Senior Debt; and (ii) Subordinated Creditor will not interfere with or in any manner oppose a disposition of any collateral security for the Senior Debt by Senior Creditor.

12. REINSTATEMENT OF SENIOR DEBT

To the extent that Senior Creditor receives payments on or in respect of the Senior Debt or proceeds of any collateral security for the Senior Debt, which payments or proceeds are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law, or equitable cause, then, to the extent of such payments or proceeds invalidated, declared to be fraudulent or preferential, set aside or required to be repaid, the Senior Debt, or part thereof, intended to be satisfied shall be revived and continue in full force and effect as if such payments or proceeds had not been received by Senior Creditor. The provisions of this Section 12 shall survive termination of this Agreement.

13. NO WAIVERS

Senior Creditor shall not be prejudiced in its rights under this Agreement by any act or failure to act of Borrower or Subordinated Creditor or any noncompliance of Borrower or Subordinated Creditor with any agreement or obligation, regardless of any knowledge thereof which Senior Creditor may have, or with which Senior Creditor may be charged; no action permitted hereunder that has been taken by Senior Creditor shall in any way affect or impair the rights or remedies of Senior Creditor in the exercise of any other right or remedy or shall operate as a waiver thereof; no single or partial exercise by Senior Creditor of any right or remedy shall preclude any other or further exercise thereof; and no modification or waiver of any of the provisions of this Agreement shall be binding upon Senior Creditor, in each case except as expressly set forth in a writing duly signed and delivered by Senior Creditor.

14. PERFECTION OF CERTAIN SECURITY INTERESTS

The Senior Creditor agrees to hold or control that part of the Collateral that is in its possession or control (or in the possession or control of its agents or bailees) to the extent that possession or control thereof is taken to perfect a Lien thereon under the UCC or other applicable law (such Collateral being referred to as the "**Pledged or Controlled Collateral**"), as bailee and as a non-fiduciary agent for the Subordinated Creditor, solely for the purpose of perfecting the security interest granted under the Subordinated Loan Documents, subject to the terms and conditions of this Section. To secure the prompt payment and performance of the Subordinated Debt and in addition to, and separate from, any other grant of a security interest to the Senior Creditor, the Borrower hereby grants to the Senior Creditor, as agent for the Subordinated Creditor, a security interest in all right, title and interest of the Borrower in and to all now existing or hereafter acquired deposit accounts of the Borrower. The obligations and responsibilities of the Senior Creditor to the Subordinated Creditor under this Section 14 shall be limited to holding or controlling the Pledged or Controlled Collateral as a non-fiduciary agent in accordance with this Section 14.

15. PURCHASE RIGHT

At any time on or after the date that any of the following events has occurred and is continuing (each a "**Purchase Event**"): (i) the occurrence of a Senior Payment Default; (ii) the Senior Creditor having provided a Remedies Notice; (iii) Senior Creditor has exercised any of its enforcement remedies with respect to Borrower or taken any Lien Enforcement Action against any Collateral in accordance with the Senior Loan Documents; (iv) the occurrence of an Insolvency Proceeding involving Borrower; or (v) at any time during the Standstill Period.

(a)The Subordinated Creditor shall have an option, exercised by delivery of notice to the Senior Creditor (a "**Purchase Notice**") given in accordance with Section 17 and no later than 10 days after a Purchase Event to purchase all (but not less than all) of the Senior Debt and assume all commitments under the Senior Loan Documents from the Senior Creditor. The Purchase Notice shall be irrevocable and shall specify a date for the closing of the purchase, which shall not be more than 10 Business Days after receipt by the Senior Creditor of the Purchase Notice. If no Subordinated Creditor exercises such right within 5 Business Days after the occurrence of a Purchase Event, the Senior Creditor shall have no further obligation pursuant to this Section 15 and may take any further actions in their sole discretion in accordance with the Senior Loan Documents and this Agreement.

(b)The purchase and sale with respect to the Senior Debt and assumption of commitments under the Senior Loan Documents provided for in this Section 15 shall have closed within 10 Business Days after receipt by the Senior Creditor of the Purchase Notice and the Senior Creditor shall have received payment in full of the Senior Debt and the Subordinated Creditor shall have assumed all commitments under the Senior Loan Documents as provided for herein within such 10 Business Day period. If more than one Person constituting the Subordinated Creditor shall have exercised the purchase option, the purchase price shall be divided pro rata among such persons according to each such Person's portion of the Subordinated Debt outstanding on the date of purchase pursuant to this Section 15.

(c)On the date specified by the Subordinated Creditor in the Purchase Notice (which shall not be more than 10 Business Days after the receipt by the Senior Creditor of the Purchase Notice), the Senior Creditor shall sell and assign to the Subordinated Creditor and the Subordinated Creditor shall purchase and assume from the Senior Creditor, the Senior Debt (including and for the avoidance of doubt any prepayment fee, early termination fee, end of term charge or any other fee payable by Borrower and constituting Senior Debt) and all commitments under the Senior Loan Documents. The Senior Creditor and the Senior Secured Creditors hereby represent and warrant that, as of the date hereof, no approval of any court or other regulatory or governmental authority is required for such sale.

(d)Upon the date of such purchase and sale, the Subordinated Creditor shall (i) pay to the Senior Creditor as the purchase price therefor the full amount of all the Senior Debt then outstanding and unpaid, and (ii) assume all commitments under the Senior Loan Documents pursuant to assignment and assumption documents reasonably satisfactory to the Senior Creditor.

(e)Such purchase shall be expressly made without representation or warranty of any kind by the Senior Creditor as to the Senior Debt or otherwise and without recourse to the Senior Creditor, except that the Senior Creditor shall represent and warrant: (i) the amount of the Senior Debt being purchased from it, (ii) that the Senior Creditor owns the Senior Debt, free and clear of any Liens or encumbrances and (iii) the Senior Creditor has the right to assign such Senior Debt and the assignment is duly authorized by the Senior Creditor.

16. INFORMATION CONCERNING BORROWER; CREDIT ADMINISTRATION

Subordinated Creditor hereby assumes responsibility for keeping itself informed of the financial condition of Borrower, its subsidiaries and affiliates, any and all endorsers and any and all guarantors of the Senior Debt and of all other circumstances bearing upon the risk of nonpayment of the Senior Debt or the Subordinated Debt that diligent inquiry would reveal, and Subordinated Creditor hereby agrees that Senior Creditor shall not have any duty to advise the Subordinated Creditor of information known to Senior Creditor regarding such condition.

17. NOTICES

Except as otherwise provided herein, all notices and service of process required, contemplated, or permitted hereunder or with respect to the subject matter hereof shall be in writing, and shall be deemed to have been validly served, given or delivered upon the earlier of: (i) the first Business Day after transmission by facsimile or hand delivery or deposit with an overnight express service or overnight mail delivery service; or (ii) the third calendar day after deposit in the United States mails, with proper first class postage prepaid, and shall be addressed to the party to be notified as follows**:**

If to Senior Creditor:

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
Legal Department
Attention: Chief Legal Officer
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301
Facsimile: 650-473-9194
Telephone: 650-289-3060

If to Subordinated Creditor, to each of:

IROQUOIS CAPITAL LP
400 Central Avenue, Suite 309
Northfield, IL 60093
ATTN: Joshua Silverman

CRANSHIRE CAPITAL, L.P.
666 Dundee Rd., Suite 1901
Northbrook, IL 60062
ATTN: Mitchell Kopin

PORTSIDE GROWTH AND OPPORTUNITY FUND
c/o Ramius Capital Group, LLC (investment adviser)
666 Third Avenue, 26th Floor
New York, NY 10017
ATTN: Jeff Smith
Telephone: Tel. 212-845-7900

ROCKMORE INVESTMENT MASTER FUND LTD.
150 E 58th St., 28th Floor
New York, NY
ATTN: Bryan Daly
Telephone: 212-258-2303
Facsimile: 212-258-2315

18. LEGEND.

Until the termination of this Agreement in accordance with Section 8 hereof, the Borrower and each Subordinating Creditor will cause to be clearly, conspicuously and prominently inserted on the face of each Subordinated Loan Document as well as any replacements thereof, the following legend (or such other notice reasonably acceptable to the Agent) in substantially the form hereof:

"This instrument and the rights and obligations evidenced hereby are subordinate in the manner and to the extent set forth in that certain Intercreditor Agreement (as the same may be amended or otherwise modified from time to time pursuant to the terms thereof, the "Intercreditor Agreement"), dated as of September 28, 2007, among Hercules Technology Growth Capital, Inc. (the "Senior Creditor") and each of Iroquois Capital LP, Cranshire Capital, L.P., Portside Growth and Opportunity Fund and Rockmore Investment Master Fund Ltd. (the "Subordinated Creditors"). Each holder of this instrument, by its acceptance hereof, irrevocably agrees to be bound by the provisions of the Intercreditor Agreement applicable to a "Subordinated Creditor" (as such term is defined in the Intercreditor Agreement), as if such holder were an original signatory thereto as a Subordinated Creditor for all purposes of the Intercreditor Agreement."

19. SEVERABILITY

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

20. GOVERNING LAW

This Agreement shall be governed by and interpreted in accordance with the laws of the State of California without regard to principles of conflict of laws that would cause the application of laws of any other jurisdiction.

21. ASSIGNMENT

This Agreement shall be binding upon Subordinated Creditor and its respective successors and assigns, and shall inure to the benefit of and be enforceable by Senior Creditor and its successors and assigns.

22. NO THIRD PARTY BENEFICIARIES

Neither the Borrower and its successors and assigns nor any other Persons or entities are beneficiaries of any portion of this Agreement and shall not have any rights arising under this Agreement or the right to enforce any provision hereof.

23. JUDICIAL REFERENCE

Because disputes arising in connection with complex financial transactions are most quickly and economically resolved by an experienced and expert person and the parties wish applicable state and federal laws to apply (rather than arbitration rules), the parties desire that their disputes be resolved by a judge applying such applicable laws. EACH OF SUBORDINATED CREDITOR AND SENIOR CREDITOR AGREE THAT A JUDICIAL REFEREE WILL BE APPOINTED UNDER CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 631 TO DETERMINE ANY FACTUAL ISSUES ANY CAUSE OF ACTION, CLAIM, CROSS-CLAIM, COUNTERCLAIM, THIRD PARTY CLAIM OR ANY OTHER CLAIM (COLLECTIVELY, "**CLAIMS**") ASSERTED BY BORROWER, SUBORDINATED CREDITOR, OR SENIOR CREDITOR AGAINST THE OTHER PARTY OR PARTIES TO THIS AGREEMENT. SUBORDINATED CREDITOR AND SENIOR CREDITOR SHALL SELECT A SINGLE NEUTRAL REFEREE, WHO SHALL BE A RETIRED STATE OR FEDERAL JUDGE WITH AT LEAST FIVE YEARS OF JUDICIAL EXPERIENCE IN CIVIL MATTERS. IN THE EVENT THAT SUBORDINATED CREDITOR AND SENIOR CREDITOR CANNOT AGREE UPON A REFEREE, THE REFEREE SHALL BE APPOINTED BY THE COURT. SUBORDINATED CREDITOR AND SENIOR CREDITOR SHALL EQUALLY BEAR THE FEES AND EXPENSES OF THE REFEREE UNLESS THE REFEREE OTHERWISE PROVIDES IN THE STATEMENT OF DECISION. This agreement regarding the judicial referee extends to all such claims, including, without limitation, claims which involve persons or entities other than Borrower, the Subordinated Creditor, and Senior Creditor; claims which arise out of or are in any way connected to the relationships between or among Borrower, the Subordinated Creditor, and Senior Creditor; and any claims for damages, breach of contract, specific performance, or any equitable or legal relief of any kind.

24. COUNTERPARTS

This Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one and the same instrument.

Signature page follows.

SENIOR CREDITOR:

Hercules Technology Growth Capital, Inc.

Signature: _____

Print Name: K. Nicholas Martitsch

Title: Associate General Counsel

SUBORDINATED CREDITORS:

Iroquois Capital LP

Signature: _____

Print Name:

Title:

Cranshire Capital, L.P.

Signature: _____

Print Name:

Title:

Portside Growth and Opportunity Fund

Signature: _____

Print Name:

Title:

Rockmore Investment Master Fund Ltd.

Signature: _____

Print Name:

Title:

The undersigned hereby accepts and consents to the foregoing Agreement and agrees to be bound by all of the provisions thereof and to recognize all priorities and other rights granted by Subordinated Creditor thereby or thereunder to Senior Creditor and to pay Senior Creditor in accordance therewith.

BORROWER:

Diomed Holdings, Inc.

By: _____

Name: _____

Title:

Diomed, Inc.

By: _____

Name: _____

Title:

SHARE CHARGE

DATED 28th SEPTEMBER 2007
DIOMED, INC.

as Chargor

HERCULES TECHNOLOGY CAPITAL GROWTH, INC.
as Chargee

Bingham McCutchen (London) LLP
London

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THIS DEED is dated 28th September 2007 and made between:

(1) **DIOMED, INC.**, a company incorporated under the laws of Delaware, United States with registered organisational identification number 2838212 (the "**Chargor**"); and

(2) **HERCULES TECHNOLOGY CAPITAL GROWTH, INC.**, a company organised under the laws of the State of Maryland with its principal place of business at 400 Hamilton Ave., Suite 310, Palo Alto, California 94301 (the "**Chargee**").

RECITALS

(A) By a loan and security agreement (as amended, and which may from time to time be further amended, modified, supplemented, extended or restated, the "**Loan Agreement**") dated as of September 28, 2007 and made between Diomed Holdings, Inc. (the "**Parent**"), the Chargor and the Chargee, the Chargee agreed to make available certain facilities on the terms and conditions contained in the Loan Agreement.

(B) It is a term of the Loan Agreement that the Chargor enter into this Share Charge.

THIS DEED WITNESSES

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Share Charge, unless otherwise defined or provided for in this Share Charge, words and expressions shall have the same meanings as is given to them in the Loan Agreement. In addition, the following definitions apply:

"**Borrower**" has the meaning given to it in the Loan Agreement.

"**Charged Portfolio**" means the Securities and the Related Assets.

"**Default Rate**" means the rate of interest per annum as described in Section 2.3 of the Loan Agreement.

"**Group**" means the Parent and each of its Subsidiaries for the time being.

"**Loan Documents**" has the meaning given to it in the Loan Agreement.

"**Party**" means a party to this Share Charge.

"**Receiver**" means a receiver appointed pursuant to the provisions of this Share Charge or pursuant to any applicable law and such expression shall include, without limitation, a receiver and manager.

"**Related Assets**" means all dividends, interest and other monies payable in respect of the Shares and all other rights, benefits and proceeds in respect of or derived from the Shares (by way of redemption, bonus, preference, option, substitution, conversion or otherwise).

"**Secured Obligations**" means the actual, contingent, present and/or future obligations and liabilities of each Borrower to the Chargee under or pursuant to the Loan Documents.

"**Securities**" means:

(a) all securities and investments of any kind (including the Shares and all stocks, shares, debentures, books, notes, loan capital, units, depositing receipts, commercial paper and certificates of deposit) of Diomed Limited; and

(b) all warrants, options or other rights to subscribe for, purchase or otherwise acquire securities or investments of Diomed Limited;

(including, without limitation, the Securities listed in the Schedule (*Shares*)) in each case now, or from time to time, owned by the Chargor or (to the extent of its interest) in which it now, or from time to time, has an interest.

"**Security**" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Shares**" means the issued shares in Diomed Limited that are listed and described in the Schedule (*Shares*).

1.2 Clause Headings

Clause headings are for convenience of reference only and shall not affect the construction of this Share Charge.

1.3 Interpretation

In this Share Charge (unless otherwise provided):

(a) references to Clauses and Schedules are to be construed as references to the Clauses of, and Schedules to, this Share Charge;

(b) references to this Share Charge or to any other document or agreement are to be construed as references to this Share Charge or that document or agreement as is in force for the time being and as amended, varied, supplemented, substituted or novated from time to time;

(c) words importing the singular shall include the plural and vice versa;

(d) references to a person shall be construed so as to include that person's assigns, transferees or successors in title and shall be construed as including references to an individual, firm, partnership, joint venture, company, corporation, unincorporated body of persons or any state or any agency thereof;

(e) references to any statute or statutory provision include any statute or statutory provision which amends, extends, consolidates or replaces the same, or which has been amended, extended, consolidated or replaced by the same, and shall include any orders, regulations, instruments or other subordinate legislation made under the relevant statute;

(f) references to liability or liabilities are to be construed to include all liabilities and obligations whether actual, contingent, present or future and whether incurred solely or jointly;

(g) the words **other** and **otherwise** shall not be construed *ejusdem generis* with any foregoing words where a wider construction is possible;

(h) the words **including** and **in particular** shall be construed as being by way of illustration or emphasis only and shall not be construed as, nor shall they take effect as, limiting the generality of any foregoing words; and

(i) a "**guarantee**" shall be construed so as to include an indemnity, bond, standby letter of credit and any other obligation (whatever called) of any person to pay for, purchase, provide funds for the payment of, indemnify against the consequences of default in the payment of, or otherwise be responsible for, any indebtedness or other obligation of any other person.

1.4 Rights of Third Parties

A person who is not a Party has no right under the Contract (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Share Charge, and the consent of any person who is not a Party is not required to rescind or vary this Share Charge at any time.

2 UNDERTAKING TO PAY

2.1 Undertaking to pay

The Chargor shall pay and discharge the Secured Obligations when they fall due in accordance with the terms of the Loan Documents.

2.2 Chargor Intent

Without prejudice to the generality of 13.2 (Waiver of Defences), the Chargor expressly confirms that it intends that the charge created under this Share Charge shall extend from time to time to any (however fundamental) variation, increase, extension or addition of or to any of the Loan Documents and/or any facility or amounts made available under the Loan Documents for the purposes of or in connection with any of the following: business acquisitions of any nature; increasing working capital; enabling investor distributions to be made; carrying out restructuring; refinancing existing facilities; refinancing any other indebtedness; making facilities available to new borrowers; any other variation or extension of the purposes for which any such facility or amount might be made available from time to time and any fees, costs and/or expenses associated with any of the foregoing.

3 FIXED CHARGES

Fixed Charges

In consideration of the Chargee making available the facilities in the Loan Agreement, the Chargor, with full title, guarantee, as continuing security for the payment of the Secured Obligations, charges, in favour of the Chargee by way of first fixed charge all its Charged Portfolio (including, without limitation, that described in the Schedule (*Shares*)).

4 FURTHER ASSURANCE AND ADDITIONAL OBLIGATIONS

4.1 Further Assurance

The Chargor shall, at the request of the Chargee and at the cost of the Chargor, forthwith do all acts and things and execute in favour of the Chargee, or as it may direct, such further or other legal assignments, transfers, mortgages, charges, securities and other deeds and documents as the Chargee may reasonably require, in such form as the Chargee may require, in order to:

(a) protect, preserve, perfect or improve the security intended to be conferred on the Chargee by or pursuant to this Share Charge; or

(b) to facilitate the realisation of all or any of the Charged Portfolio and exercise all of the rights and powers conferred on the Chargee, any Receiver or any delegate or either of the same for the purpose thereof or in connection therewith.

4.2 Additional Obligations

The obligations of the Chargor under this Clause shall be in addition to and not in substitution for the covenants for further assurance deemed to be included herein by virtue of the Law of Property (Miscellaneous Provisions) Act 1994.

5 SECURITIES

5.1 Acquisition of Securities

The Chargor shall notify the Chargee promptly upon the acquisition of, or agreement to acquire, any Securities.

5.2 Deposit of Deeds

The Chargor shall immediately after the execution of this Share Charge (or as the Chargee directs) deposit with the Chargee all deeds, certificates and other documents constituting or evidencing title to any of its Shares together with stock transfer forms and other transfers of such Shares executed in blank, as the Chargee requires.

5.3 Voting prior to enforcement

Subject to Clause 5.4 (*Voting after enforcement*), the Chargor shall be entitled to exercise or direct the exercise of the voting and other rights attached to any of the Shares as it seems fit, provided that:

(a) such exercise does not breach the term of any Loan Document; and

(b) such exercise of, or failure to exercise, those rights would not, or would not reasonably be likely to, in the reasonable judgment of the Chargee, materially impair the value of the relevant Shares and would not, or would not reasonably be likely to otherwise prejudice the interests of the Chargee under any Loan Document.

5.4 Voting after enforcement

At any time while an Event of Default is continuing:

(a) the Chargee or the Receiver shall be entitled to exercise or direct the exercise of the voting and other rights attached to any Securities in such manner as it or he sees fit as proxy for and in the name of the Chargor; and

(b) the Chargor shall comply or procure the compliance of any directions of the Chargee or the Receiver in respect of the exercise of those rights and shall promptly execute and/or deliver to the Chargee or the Receiver such forms of proxy as it or he requires with a view to enabling such person as it or he selects to exercise those rights.

5.5 Undertaking relating to Securities

The Chargor hereby undertakes with the Chargee that it shall:

(a) duly and promptly pay (or, in respect of Securities of which the Chargee is the legal owner, pay to the Chargee on demand amounts in respect of) all calls, instalments or other payments which may be made or become due in respect of any of the Securities as and when the same from time to time become due (and if the Chargor does not do so, the Chargee may make such payments on behalf of the Chargor);

(b) comply promptly with any notice served on it under the Companies Act 1985;

(c) not (without the prior consent in writing of the Chargee or save to the extent permitted under the Loan Documents):

(i) permit any person other than the Chargor or the Chargee (or its nominee) to be registered as holder of the Securities or any part thereof; or

(ii) permit any reorganisation of share capital, any alteration of rights in respect of any class of shares in the company whose shares are changed or the amendment of any provision of the memorandum of association or articles of association of that company; and

(d) not do or cause or permit to be done anything which may in any way depreciate, jeopardise or otherwise prejudice the interest of the Chargee in, or the value to the Chargee of, the Securities and use its best endeavours not to permit a variation of any rights attaching to any of the Securities.

5.6 Communications

The Chargor shall promptly deliver to the Chargee a copy of each circular, notice, report, set of accounts or other documents received by it or its nominee in connection with any Securities as the Chargee requires.

6 REPRESENTATIONS

6.1 General

The Chargor makes on the date of this Share Charge the representations and warranties set out in this clause 6 to the Chargee.

6.2 No Security

The Charged Portfolio is beneficially owned by the Chargor free from any Security other than any Permitted Lien.

6.3 Ownership of Charged Portfolio

The Chargor is the sole legal and beneficial owner of all of the Charged Portfolio.

6.4 No proceedings pending or threatened

No litigation, arbitration or administrative proceeding has currently been started or, to the knowledge of the Chargor, threatened in relation to any of the Charged Portfolio.

6.5 Shares

The Shares are fully paid and the Shares constitute 65% of the entire share capital of Diomed Limited.

6.6 Binding obligations, no avoidance

(a) The obligations expressed to be assumed by the Chargor under this Share Charge are legal, valid, binding and enforceable obligations.

(b) This Share Charge creates the Security which it purports to create and to the best of the Chargor's knowledge and belief (having made due and careful enquiry) is not liable to be avoided or otherwise set aside on the liquidation or administration of the Chargor or otherwise.

6.7 Status

The Chargor:

(a) is a corporation, duly incorporated and validly existing under the law of its jurisdiction of incorporation; and

(b) has the power to own its assets and carry on its business as it is being conducted.

6.8 Non-conflict with other obligations

The entry into and performance by the Chargor of, and the transactions contemplated by, this Share Charge do not and will not conflict with:

(a) any law or regulation applicable to it;

(b) its constitutional documents; or

(c) any agreement or instrument binding upon it or any of its assets.

6.9 Power and authority

The Chargor has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, this Share Charge and the transactions contemplated by this Share Charge.

6.10 Validity and admissibility in evidence

All authorisations, consents, approvals, resolutions, licences, exemptions, filings, notarisations or registrations required or desirable:

(a) to enable the Chargor lawfully to enter into, exercise its rights and comply with its obligations in this Share Charge; and

(b) to make this Share Charge admissible in evidence in its jurisdiction of incorporation,

have been obtained or effected and are in full force and effect.

7 GENERAL UNDERTAKINGS

7.1 Negative Pledge

The Chargor covenants that it shall not, nor shall it agree or purport to, create or permit to subsist any Security whether in any such case ranking in priority to or pari passu with or after the security created by this Share Charge save to the extent permitted or required under the Loan Agreement.

7.2 Restrictions on Disposals

The Chargor covenants that it shall not, nor shall it agree or purport to, sell, discount, factor, transfer, lease, lend or otherwise dispose of, whether by means of one or a number of transactions related or not and whether at one time or over a period of time, the whole or any part of its Securities.

8 POWERS OF THE CHARGEE

8.1 Powers of Mortgagee

At any time after the Chargee shall have served notice on the Chargor demanding payment or discharge by the Chargor of all or any of the Secured Obligations or if requested by the Chargor, the Chargee may exercise without further notice and without any of the restrictions contained in section 103 of the Law of Property Act 1925, whether or not it shall have appointed a Receiver or Administrator, all the powers conferred on mortgagees by the Law of Property Act 1925 and all the powers and discretions conferred by this Share Charge.

8.2 Restriction on Consolidating Mortgages to be Excluded

The restriction on the right of consolidating mortgage securities contained in section 93 of the Law of Property Act 1925 shall not apply to this Share Charge.

8.3 No Liability as Mortgagee in Possession

So far as permitted by law, neither the Chargee nor any Receiver shall by reason of it or any Receiver entering into possession of any part of the Charged Portfolio when entitled so to do be liable to account as mortgagee in possession or be liable for any loss or realisation or for any default or omission for which a mortgagee in possession might be liable.

9 APPOINTMENT OF RECEIVER

9.1 Appointment

At any time after the Chargee shall have served notice pursuant to the terms of the Loan Agreement on the Chargor demanding the payment or discharge by the Chargor of all or any of the Secured Obligations or if requested by the Chargor the Chargee may appoint one or more persons to be a Receiver or Receivers of the Charged Portfolio or any part of the Charged Portfolio.

9.2 Receivers to act Jointly

If at any time and by virtue of any such appointment(s) any two or more persons shall hold office as Receivers, of the same assets or income, such Receivers, may act jointly and/or severally so that each one of such Receivers shall be entitled (unless the contrary shall

be stated in any of the deed(s) or other instrument(s) appointing them) to exercise all the powers and discretions hereby conferred on Receivers individually and to the exclusion of the other or others of them.

9.3 Appointment, etc, in Writing

Every such appointment or removal, and every delegation, appointment or removal by the Chargee in the exercise of any right to delegate its powers or to remove delegates herein contained, may be made in writing under the hand of any authorised officer or other officer of the Chargee.

9.4 Powers of Receiver

Every Receiver shall have:

(a) all the powers conferred by the Law of Property Act 1925 on mortgagees in possession and receivers appointed under that Act; and

(b) all the powers of the Chargee hereunder.

9.5 Sale by Receiver or Chargee

In making any sale or other disposal of any of the Charged Portfolio in the exercise of their respective powers, the Receiver or the Chargee, as the case may be, may accept, as and by way of consideration for such sale or other disposal, cash, shares, loan capital or other obligations, including without limitation consideration fluctuating according to or dependent upon profit or turnover and consideration the amount whereof is to be determined by a third party. Any such consideration may be receivable in a lump sum or by instalments.

9.6 Application of Proceeds

All moneys received by any Receiver appointed under this Share Charge shall be applied in the following order:

(a) in the payment of the costs, charges and expenses of and incidental to the Receiver's appointment and the payment of his remuneration;

(b) in the payment and discharge of any outgoings paid and liabilities incurred by the Receiver in the exercise of any of the powers of the Receiver;

(c) in providing for the matters (other than the remuneration of the Receiver) specified in the first three paragraphs of section 109(8) of the Law of Property Act 1925;

(d) in or towards payment of any debts or claims which are required by law to be paid in preference to the Secured Obligations but only to the extent to which such debts or claims have such preference;

(e) in or towards the satisfaction of the Secured Obligations in such order as the Chargee may conclusively determine; and

(f) any surplus shall be paid to the Chargor or other person entitled thereto.

The provisions of this Clause and Clause 9.8 (*Remuneration of Receiver*) shall take effect as and by way of variation and extension to the provisions of section 109(8) of the Law of Property Act 1925, which provisions as so varied and extended shall be deemed incorporated herein.

9.7 Receiver to act as agent

Every Receiver of the Chargor shall be the agent of the Chargor which shall be solely responsible for his acts and defaults and for the payment of his remuneration.

9.8 Remuneration of Receiver

Every Receiver shall be entitled to remuneration for his services at a rate to be fixed by agreement between him and the Chargee (or, failing such agreement, to be conclusively fixed by the Chargee) commensurate with the work and responsibilities involved upon the basis of charging from time to time adopted in accordance with his current practice or the current practice of his firm and without being limited to the maximum rate specified in section 109(6) of the Law of Property Act 1925.

10 POWER OF ATTORNEY

10.1 Grant of Power of Attorney

The Chargor hereby irrevocably appoints the following, namely:

(a) the Chargee;

(b) each and every person to whom the Chargee shall from time to time have delegated the exercise of the power of attorney conferred by this Clause 10; and

(c) any Receiver appointed hereunder and for the time being holding office as such;

jointly and also severally to be its attorney or attorneys and in its name and otherwise on its behalf to do all acts and things and to sign, seal, execute, deliver, perfect and do all deeds, instruments, documents, acts and things which may be required for carrying out any obligation imposed on the Chargor by or pursuant to this Share Charge and subject to the terms of the Loan Agreement, for carrying any sale, lease or other dealing by the Chargee or such Receiver into effect, for conveying or transferring any legal estate or other interest in land or other property or otherwise howsoever, for getting in the Charged Portfolio, and generally for enabling the Chargee and the Receiver to exercise the respective powers conferred on them by or pursuant to this Share Charge or by law. The Chargee shall have full power to delegate the power conferred on it by this Clause, but no such delegation shall preclude the subsequent exercise of such power by the Chargee itself or preclude the Chargee from making a subsequent delegation thereof to some other person; any such delegation may be revoked by the Chargee at any time.

10.2 Powers of Attorney Act 1971

The power of attorney hereby granted is as regards the Chargee, its delegates and any such Receiver (and as the Chargor hereby acknowledges) granted irrevocably and for value as part of the security constituted by this Charge to secure proprietary interests in and the performance of obligations owed to the respective donees within the meaning of the Powers of Attorney Act 1971.

11 FINANCIAL COLLATERAL

To the extent that any part of this Share Charge constitutes a "financial collateral arrangement" (as defined in the Financial Collateral Arrangements (No.2) Regulations 2003 (the "**Regulations**")) the Chargee shall have the right:

(a) (after the occurrence of an Event of Default which is continuing) to use and dispose of any part of the Charged Assets which constitutes "financial collateral" (as defined in the Regulations ("**Financial Collateral**")), in which case the Chargee shall comply with the requirements of the Regulations as to obtaining "equivalent financial collateral" (as defined in the Regulations); and

(b) (at any time after this Share Charge becomes enforceable) to appropriate any part of the Charged Portfolio which constitutes Financial Collateral in or towards satisfaction of the Secured Obligations in accordance with the Regulations.

12 PROTECTION OF PURCHASERS

No purchaser or other person dealing with the Chargee or its delegate or any Receiver appointed hereunder shall be bound to see or enquire whether the right of the Chargee or such Receiver to exercise any of its or his powers has arisen or become exercisable or be concerned with notice to the contrary, or be concerned to see whether any such delegation by the Chargee shall have lapsed for any reason or been revoked.

13 SAVING PROVISIONS

13.1 Reinstatement

If any payment by a Borrower or any discharge given by the Chargee (whether in respect of the obligations of any Borrower or any security for those obligations or otherwise) is avoided or reduced as a result of insolvency or any similar event:

(a) the liability of the Chargor shall continue as if the payment, discharge, avoidance or reduction had not occurred; and

(b) the Chargee shall be entitled to recover the value or amount of that security or payment from the Chargor as if the payment, discharge, avoidance or reduction had not occurred.

13.2 Waiver of Defences

The obligations of the Chargor under this Share Charge will not be affected by an act, omission or thing which, but for this Clause 13.2, would reduce, release or prejudice any of its obligations under this Share Charge (without limitation and whether or not known to it or the Chargee), including:

(a) any time, waiver or consent granted to, or composition with, any Borrower or other person;

(b) the release of any other Borrower or any other person under the terms of any composition or arrangement with any creditor or any member of the Group;

(c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against or security over assets of, any Borrower or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

(d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members of the Group or status of a Borrower or any other person;

(e) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Loan Document or any other document or security including without limitation any charge in the purpose of, any extension of or any increase in any facility or the addition of any new facility under any Loan Document or other document or security;

(f) any unenforceability, illegality or invalidity of any obligation of any person under any Loan Document or any other document or security; or

(g) any insolvency or similar proceedings.

13.3 Immediate Recourse

The Chargor waives any right it may have of first requiring the Chargee to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Chargor under this Charge. This waiver applies irrespective of any law or any provision of a Loan Document to the contrary.

13.4 Appropriations

Until all Secured Obligations have been irrevocably paid in full and the Chargee has no continuing obligations in relation to the facilities, the Chargee may:

(a) refrain from applying or enforcing any other monies, securities or rights held or received by the Chargee in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Chargor shall not be entitled to the benefit of the same; and

(b) hold in an interest-bearing suspense account any monies received from the Chargor or on account of the Chargor's liability under this Charge.

13.5 Deferral of Chargor's Rights

Until all amounts which may be or become payable by the Borrowers under or in connection with the Loan Documents have been irrevocably paid in full, unless the Chargee otherwise directs, the Chargor will not exercise any rights which it may have by reason of performance by it of its obligations under the Loan Documents;

(a) to be indemnified by a Borrower;

(b) to claim any contribution from any other guarantor of any Borrower's obligations under the Loan Documents; and/or

(c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Chargee under the Loan Documents or of any other guarantee or security taken pursuant to, or in connection with, the Loan Documents by the Chargee.

13.6 Additional Security

The security set out in this Share Charge is in addition to and is not in any way prejudiced by any other security now or subsequently held by the Chargee.

14 CONSOLIDATION OF ACCOUNTS AND SET-OFF

In addition to any general lien or similar rights to which they may be entitled by operation of law, the Chargee shall have the right at any time and without notice to the Chargor to combine or consolidate all or any of the Chargor's then existing accounts with, and liabilities to, the Chargee and to set off or transfer any sum or sums standing to the credit of any one or more of such accounts in or towards satisfaction of any of the liabilities of the Chargor to the Chargee on any other account or in any other respect. The liabilities referred to in this Clause may be actual, contingent, primary, collateral, several or joint liabilities, and the accounts, sums and liabilities referred to in this Clause may be denominated in any currency.

15 RETENTION OF SECURITY

If the Chargee considers that any amount paid or credited to the Chargee under any Loan Document is capable of being avoided or otherwise set aside on the winding-up or liquidation (or other similar process) of the Chargor or any other person, or otherwise, that amount shall not be considered to have been paid in determining whether the Secured Obligations have been repaid and the Chargee may retain such security as it thinks fit.

16 CURRENCY

For the purpose of or pending the discharge of any of the Secured Obligations the Chargee may, in its sole discretion, convert any moneys received, recovered or realised in any currency under this Share Charge (including the proceeds of any previous conversion under this Clause) from their existing currency of denomination into any other currency at such rate or rates of exchange and at such time as the Chargee thinks fit.

17 APPLICATION

The Chargor shall not have any rights in respect of the application by the Chargee of any sums received, recovered or realised by the Chargee under this Share Charge.

18 NOTICES

All notices, consents, requests, approvals, demands, or other communication (collectively, "**Communication**") by any Party to this Share Charge or any other Loan Document must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address, facsimile number, or email address indicated below. The Chargor or the Chargee may change its address or facsimile number by giving the other party written notice thereof in accordance with the terms of this Clause 18.

If to the Chargor:

Diomed Holdings, Inc.
1 Dundee Park
Andover, MA 01810
Attention: David B. Swank
Facsimile: (978) 475-8488
Telephone: (978) 824-1823

Copy to:
McGuire Woods LLP
1345 Avenue of the Americas
7th Floor
New York, NY 10105
Attention: William A. Newman, Esq.
Facsimile: (212) 548-2170
Telephone: (212) 548-2660

If to the Chargee:

Hercules Technology Capital Growth, Inc.
Attention: Chief Legal Officer and R. Bryan Jadot
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301
Facsimile: 650-473-9194
Telephone: 650-289-3060

With a copy to:
Sandra Vrejan
Bingham McCutchen LLP
150 Federal Street
Boston, MA 02110
Facsimile: 617-951-8736
Telephone: 617-951-8671

19 NEW ACCOUNTS

If the Chargee receives or is deemed to be affected by notice whether actual or constructive of any subsequent charge or other interest affecting any part of the Charged Portfolio and/or the proceeds of sale of any Charged Portfolio, then the Chargee may open a new account or accounts with the Chargor. If the Chargee does not open a new account or accounts it shall nevertheless be treated as if it had done so at the time when the notice was, or was deemed to be, received and as from that time all payments made to the Chargee

shall be credited or be treated as having been credited to the new account or accounts and shall not operate to reduce the amount for which this Share Charge is security.

20 CONTINUING SECURITY

The security constituted by this Share Charge shall be continuing and shall not be considered as satisfied or discharged by any intermediate payment or settlement of the whole or any part of the Secured Obligations and shall be binding until all the Secured Obligations have been discharged in full to the satisfaction of the Chargee and all of the Chargee have ceased to have any obligation whether actual or contingent to make any credit or accommodation available to the Chargor.

21 CHANGE OF PARTIES

21.1 Assignment and transfer by Chargee

The Chargee shall have a full and unfettered right to assign or otherwise transfer the whole or any part of the benefit of this Share Charge to any person to whom all or any part of its rights, benefits and obligations under the Loan Agreement are assigned or transferred in accordance with the provisions of the Loan Agreement.

21.2 Assignment and transfers by the Chargor

The Chargor may not assign any of its rights or transfer any of its rights or obligations under this Share Charge.

22 TAX AND INDEMNITIES

22.1 Definitions

In this Clause 21:

"**Tax**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"**VAT**" means value added tax as provided for in the Value Added Tax Act 1994 and any other tax of a similar nature.

Unless a contrary indication appears, in this Clause 22 (*Tax and Indemnities*) a reference to "determines" or "determined" means a determination made in the absolute discretion of the person making the determination.

22.2 Stamp taxes

The Chargor shall pay and, within three (3) Business Days of demand, indemnify the Chargee against any cost, loss or liability the Chargee incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Loan Document.

22.3 Value added tax

(a) All amounts set out, or expressed to be payable under a Loan Document by any Chargor to the Chargee which (in whole or in part) constitute the consideration for VAT purposes shall be deemed to be exclusive of any VAT which is chargeable on such supply, and accordingly, subject to paragraph (b) below, if VAT is chargeable on any supply made by the Chargee to any Party under a Loan Document, that Party shall pay to the Chargee (in addition to and at the same time as paying the consideration) an amount equal to the amount of the VAT (and the Chargee shall promptly provide an appropriate VAT invoice to the Chargor).

(b) Where a Loan Document requires the Chargor to reimburse the Chargee for any costs or expenses, the Chargor shall also at the same time pay and indemnify the Chargee against all VAT incurred by the Chargee in respect of the costs or expenses to the extent that the Chargee reasonably determines that neither it nor any other member of any group of which it is a member for VAT purposes is entitled to credit or repayment from the relevant tax authority in respect of the VAT.

23 OTHER INDEMNITIES

23.1 Currency indemnity

(a) If any sum due from the Chargor under the Loan Documents (a "**Sum**"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "**First Currency**") in which that Sum is payable into another currency (the "**Second Currency**") for the purpose of:

(i) making or filing a claim or proof against the Chargor; or

(ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

the Chargor shall as an independent obligation, within three Business Days of demand, indemnify the Chargee against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

(b) The Chargor waives any right it may have in any jurisdiction to pay any amount under the Loan Documents in a currency or currency unit other than that in which it is expressed to be payable.

23.2 Indemnity by the Chargor

The Chargor hereby agrees to indemnify the Chargee, any Receiver against all losses, actions, claims, costs, charges, expenses and liabilities (together, the "**Liabilities**") incurred by the Chargee and any Receiver (including any substitute delegate attorney as aforesaid) (i) in relation to this Charge or the Secured Obligations (in either case provided that such Liabilities are not due solely to the gross negligence or wilful misconduct of the Chargor or the Receiver), or (ii) occasioned by any breach by the Chargor of any of its covenants or obligations under this Charge. The Chargor shall so indemnify the Chargee and any Receiver on demand and shall pay interest on the sum demanded at the Default Rate from time to time from the date on which the same were demanded by the Chargee or any Receiver and any sum so demanded together with any interest, shall be a charge upon the Charged Property in addition to the moneys hereby secured.

24 REMEDIES CUMULATIVE ETC.

24.1 Cumulative Rights

The rights, powers and remedies provided in this Share Charge are cumulative and are not, nor are they to be construed as, exclusive of any rights, powers or remedies provided by law or otherwise.

24.2 Failure to Exercise not to act as a Waiver

No failure on the part of the Chargee to exercise, or delay on its part in exercising, any of its respective rights, powers and remedies provided by this Share Charge or by law (collectively the "**Rights**") shall operate as a waiver thereof, nor shall any single or partial waiver of any of the Rights preclude any further or other exercise of that one of the Rights concerned or the exercise of any other of the Rights.

25 PROVISIONS SEVERABLE

Every provision contained in this Share Charge shall be severable and distinct from every other such provision and if at any time any one or more of such provisions is or becomes invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining such provisions shall not in any way be affected thereby.

26 CHARGEE'S CERTIFICATE

A certificate by an officer of the Chargee as to any sums payable hereunder to the Chargee shall (save in the case of manifest error) be conclusive and binding upon the Chargor for all purposes.

27 AMENDMENTS

No amendments or waiver of any provision of this Share Charge and no consent to any departure by the Chargor therefrom shall in any event be effective unless the same shall be in writing and signed or approved in writing by the Chargee, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

28 AMENDMENTS TO LOAN DOCUMENTS

This Share Charge shall remain in full force and effect notwithstanding any amendments or variations from time to time of the Loan Documents and all references to the Loan Documents herein shall be taken as referring to the Loan Documents as amended or varied from time to time (including, without limitation, any increase in the amount of the Secured Obligations).

29 COUNTERPARTS

This Share Charge may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Share Charge.

30 LAW

This Share Charge is governed by and shall be construed in accordance with English law.

31 ENFORCEMENT

31.1 Jurisdiction of English courts

(a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Share Charge (including a dispute regarding the existence, validity or termination of this Share Charge) (a "**Dispute**").

(b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.

(c) This Clause 31.1 is for the benefit of the Chargee only. As a result, no Chargee shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Chargee may take concurrent proceedings in any number of jurisdictions.

31.2 Service of process

Without prejudice to any other mode of service allowed under any relevant law, the Chargor:

(a) irrevocably appoints Diomed Limited as its agent for service of process in relation to any proceedings before the English courts in connection with this Share Charge (with all correspondence to:

Building 2000
Beach Drive
Cambridge Research Park
Waterbeach, Cambridge CB25 9TE
United Kingdom

under this Clause 31.2 to be clearly marked for the urgent attention of Paul Grafham, Secretary of Diomed Limited;

(b) agrees that failure by a process agent to notify the Chargor of the process will not invalidate the proceedings concerned; and

(c) if any person appointed as process agent is unable for any reason to act as agent for service of process, the Parent (on behalf of the Chargor) must immediately (and in any event within 3 days of such event taking place) appoint another agent on terms acceptable to the Chargee. Failing this, the Chargee may appoint another agent for this purpose.

The Chargor expressly agrees and consents to the provisions of this Clause 31.

IN WITNESS whereof the Chargor has executed this Share Charge as a deed and the Chargee has executed this Share Charge under hand with the intention that it be delivered the day and year first before written.

THE SCHEDULE

SHARES

Company whose shares are being charged	Number and class of shares
DIOMED LIMITED, a company incorporated under the laws of England and Wales with registered number 02338196 and with its registered office at 2000 Cambridge Research Park, Ely Road, Waterbeach, Cambridge, CB25 9TE, England	65% of the share capital (the share capital being 3,000,000 ordinary shares of £0.001), which is equal to 1,950,000 ordinary shares.

EXECUTED as a Deed by	)	
DIOMED, INC.	)	
acting by	)	
Name: _____	)	By: _____
Title: _____	)	Authorised Signatory
being persons having power to act	)	
on its behalf in accordance with its constitution	)	

SIGNED for and on behalf of	)	
HERCULES TECHNOLOGY CAPITAL	)	
GROWTH, INC.	)	
Name: _____	)	By: _____
Title: _____	)	
being a person who in accordance	)	
with the laws of the state of Maryland	)	
is acting under the authority	)	
(express or implied) of that company	)	

This Pledge and Security Agreement and the rights, remedies, representations and obligations of the parties hereto are subject to the terms and conditions of that certain Intercreditor Agreement between Hercules Technology Growth Capital, Inc. and each of Iroquois Capital LP, Cranshire Capital, L.P., Portside Growth and Opportunity Fund and Rockmore Investment Master Fund Ltd dated as of September 28, 2007.

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT ("**Agreement**"), dated as of September 28, 2007, made by Diomed Holdings, Inc., a Delaware corporation ("**Grantor**"), in favor of Iroquois Capital LP, Cranshire Capital, L.P., Portside Growth and Opportunity Fund and Rockmore Investment Master Fund Ltd (together, with their successors and assigns, the "**Holders**"), the holders of the Amended and Restated Variable Rate Secured Subordinated Convertible Debentures due October 2008 (the "**Debentures**") issued by Grantor.

WITNESSETH:

WHEREAS, Hercules Technology Growth Capital, Inc. ("**Senior Creditor**") and each of Grantor and Diomed, Inc., a Delaware corporation (together, the "**Borrower**"), have entered into that certain Loan and Security Agreement dated as of September 28, 2007 (as the same may be amended, restated, or otherwise modified from time to time, the "**Senior Creditor Agreement**"). The funds advanced to or owed by Grantor under the Senior Creditor Agreement shall be referred to collectively herein as the "**Senior Loans**." To secure the Senior Loans, Borrower granted to Senior Creditor under the Senior Creditor Agreement a security interest in all of Borrower's personal property assets. The making of the Senior Loans and the granting of the security interest in all of Borrower's personal property assets are hereinafter referred to as the "**Senior Transactions**";

WHEREAS, Prior to the date hereof, Grantor issued one or more Variable Rate Convertible Debentures (the "**Existing Debenture**") to the Holders;

WHEREAS, the Existing Debenture prohibits the consummation of the Senior Transactions;

WHEREAS, the Holders are willing to permit the Grantor to enter into the Senior Transactions, subject to, among other things, the execution and delivery of the Debentures and this Agreement.

NOW, THEREFORE, in consideration of the premises and the agreements herein and in order to induce the Holders to extend financial accommodations to Grantor, Grantor hereby agrees for the benefit of the Holders as follows:

SECTION 1. Definitions.

(a) Reference is hereby made to the Debentures for a statement of the terms thereof. All terms used in this Agreement which are defined in the Debentures or in Article 9 of the Uniform Commercial Code (the "**Code**") currently in effect in the State of New York and which are not otherwise defined herein shall have the same meanings herein as set forth therein.

(b) The following terms shall have the respective meanings provided for in the Code: “Accounts”, “Cash Proceeds”, “Chattel Paper”, “Commercial Tort Claim”, “Deposit Account”, “Documents”, “Equipment”, “Fixtures”, “General Intangibles”, “Goods”, “Instruments”, “Inventory”, “Investment Property”, “Letter-of-Credit Rights”, “Noncash Proceeds”, “Proceeds”, “Promissory Notes”, “Record”, and “Supporting Obligations”.

(c) As used in this Agreement, the following terms shall have the respective meanings indicated below, such meanings to be applicable equally to both the singular and plural forms of such terms:

“**777 Patent Litigation**” means litigation relating to the Borrower’s patent infringement case against AngioDynamics, Inc, and Vascular Solutions, Inc. relating to ‘777 patent, Civil Action No. 04-10019NMG and Civil Action No. 04-10444NMG, filed in the United States District Court for the District of Massachusetts.

“**Capital Stock**” means (a) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, and (b) with respect to any Person that is not a corporation, any and all partnership, membership or other equity interests of such Person.

“**Copyright Licenses**” means all licenses, contracts or other agreements, whether written or oral, naming Grantor as licensee or licensor and providing for the grant of any right to use or sell any works covered by any copyright.

“**Copyrights**” means all domestic and foreign copyrights, whether registered or unregistered, including, without limitation, all copyright rights throughout the universe (whether now or hereafter arising) in any and all media (whether now or hereafter developed), in and to all original works of authorship fixed in any tangible medium of expression (including computer software and internet website content) now owned or hereafter owned, acquired or used by Grantor, all applications, registrations and recordings thereof (including, without limitation, applications, registrations and recordings in the United States Copyright Office or in any similar office or agency of the United States or any other country or any political subdivision thereof), all reissues, divisions, continuations, continuations in part and extensions or renewals thereof, the right to recover for all past, present and future infringements thereof, and all other rights of any kind whatsoever accruing thereunder or pertaining thereto.

“**Intellectual Property**” means all Copyrights, Trademarks, Patents and Other Intellectual Property, including those described in **Schedule I** hereto.

“**Licenses**” means the Copyright Licenses, the Trademark Licenses and the Patent Licenses.

“**Other Intellectual Property**” means all trade secrets, ideas, inventions and improvements, concepts, methods, techniques, processes, proprietary information, technology, know-how, formulae, design detail, drawings, all Software, computer software (including object and source code, data and related documentation), rights of publicity and other general intangibles of like nature, now existing or hereafter acquired, owned, developed or used by Grantor.

"**Patent Licenses**" means all licenses, contracts or other agreements, whether written or oral, naming Grantor as licensee or licensor and providing for the grant of any right to manufacture, use or sell any invention covered by any Patent.

"**Patents**" means all domestic and foreign letters patent, design patents, utility patents, industrial designs, inventions, improvements, trade secrets, ideas, concepts, methods, techniques, processes, proprietary information, technology, know how, formulae, rights of publicity and other general intangibles of like nature, now existing or hereafter acquired, all applications, registrations and recordings thereof (including, without limitation, applications, registrations and recordings in the United States Patent and Trademark Office, or in any similar office or agency of the United States or any other country or any political subdivision thereof), all reissues, divisions, continuations, continuations in part and extensions or renewals thereof, all income, royalties, damages and payments now or hereafter due and/or payable for past or future infringements thereof, the right to sue for past, present and future infringements thereof, and all rights corresponding thereto throughout the world.

"**Pledged Interests**" means the Pledged Shares and all security entitlements therein.

"**Pledged Shares**" means (a) the shares of Capital Stock including those described in **Schedule II** hereto, whether or not evidenced or represented by any stock certificate, certificated security or other Instrument, issued by the Person described in such **Schedule II** (the "**Pledged Issuer**"), (b) any other shares of Capital Stock of the Pledged Issuer at any time and from time to time acquired by Grantor, whether or not evidenced or represented by any stock certificate, certificated security or other Instrument, and (c) the certificates representing such shares of Capital Stock, all options and other rights, contractual or otherwise, in respect thereof and all dividends, distributions, cash, Instruments, Investment Property, financial assets, securities, Capital Stock, other equity interests, stock options and commodity contracts, notes, debentures, bonds, promissory notes or other evidences of indebtedness and all other property (including, but not limited to, any stock dividend and any distribution in connection with a stock split) from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Capital Stock.

"**Software**" means any computer programs and computer systems (including all databases, compilations, tool sets, compilers, higher level or proprietary languages, related documentation and materials, whether in source code, object code or human readable form) sold, marketed, distributed, licensed or maintained by each Grantor, and any computer programs necessary for the conduct of the business of each Grantor.

"**Trademark Licenses**" means all licenses, contracts or other agreements, whether written or oral, naming Grantor as licensor or licensee and providing for the grant of any right concerning any Trademark, together with any goodwill connected with and symbolized by any such trademark licenses, contracts or agreements and the right to prepare for sale or lease and sell or lease any and all Inventory now or hereafter owned by Grantor and now or hereafter covered by such licenses.

"**Trademarks**" means all domestic and foreign trademarks, service marks, collective marks, certification marks, trade names, business names, d/b/a's, Internet domain names, trade styles, designs, logos and other source or business identifiers and all general intangibles of like nature, now or hereafter owned, adopted, acquired or used by Grantor, all applications, registrations and recordings thereof (including, without limitation, applications, registrations and recordings in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state thereof or any other country or any political subdivision thereof), all reissues, extensions or renewals thereof, together with all product lines and goodwill of the business symbolized by such marks and all customer lists, formulae and other Records of Grantor relating to the distribution of products and services in connection with which any of such marks are used, all rights corresponding thereto throughout the world, the right to recover for all past, present and future infringements thereof, and all other rights of any kind whatsoever accruing thereunder or pertaining thereto.

SECTION 2. Pledge and Grant of Security Interest. As collateral security for the payment, performance and observance of all of the Secured Obligations (defined below), Grantor hereby pledges and collaterally assigns to the Holders, and grants to the Holders a continuing security interest in, all personal property and Fixtures of Grantor, wherever located and whether now or hereafter existing and whether now owned or hereafter acquired, of every kind and description, tangible or intangible, including, without limitation, the following (all being collectively referred to herein as the "**Collateral**"):

(a) all Accounts;

(b) all Chattel Paper (whether tangible or electronic);

(c) all Commercial Tort Claims;

(d) all Deposit Accounts, all cash, and all other property from time to time deposited therein or otherwise credited thereto and the monies and property in the possession or under the control of the Holders or any affiliate, representative, agent or correspondent of the Holders;

(e) all Documents;

(f) all General Intangibles;

(g) all Goods, including, without limitation, all Equipment, Fixtures and Inventory;

(h) all Instruments (including, without limitation, all Promissory Notes);

(i) all Intellectual Property, and all Licenses;

(j) all Investment Property;

(k) all Letter-of-Credit Rights;

(l) all Pledged Shares;

(m) all Supporting Obligations;

(n) all other tangible and intangible personal property of Grantor (whether or not subject to the Code), including, without limitation, all bank and other accounts and all cash and all investments therein, all proceeds, products, offspring, accessions, rents, profits, income, benefits, substitutions and replacements of and to any of the property of Grantor described in the preceding clauses of this Section 2 (including, without limitation, any proceeds of insurance thereon and all causes of action, claims and warranties now or hereafter held by Grantor in respect of any of the items listed above), and all books, correspondence, files and other Records, including, without limitation, all tapes, disks, cards, Software, data, computer programs, and instructions for execution by a computer processor (including the code in such Software, computer programs, or instructions) in the possession or under the control of Grantor or any other Person from time to time acting for Grantor that at any time evidence or contain information relating to any of the property described in the preceding clauses of this Section 2 or are otherwise necessary or helpful in the collection or realization thereof; and

(o) all Proceeds, including all Cash Proceeds and Noncash Proceeds, and products of any and all of the foregoing Collateral;

in each case, howsoever Grantor's interest therein may arise or appear (whether by ownership, security interest, claim or otherwise).

SECTION 3. Security for Secured Obligations. The security interest created hereby in the Collateral constitutes continuing collateral security for all of the following obligations, whether now existing or hereafter incurred (the "**Secured Obligations**"):

(a) the prompt payment by Grantor, as and when due and payable (on demand, by mandatory prepayment, by scheduled maturity or otherwise), of all amounts from time to time owing by it under the Debentures, the other Transaction Documents and any other instruments, documents or agreements, as amended from time to time, now or hereafter representing or securing the Grantor's indebtedness and obligations to the Holders (the Debentures, the other Transaction Documents and such other instruments, documents or agreements, collectively, the "**Loan Documents**"), whether for principal, interest, fees or otherwise (including, without limitation, amounts that but for the operation of Section 362 of the Bankruptcy Code would become due), in each case, of every kind, nature and description, direct and indirect, secured and unsecured, joint and several, absolute or contingent, due or to become due, now or hereafter arising and whether now existing or hereafter arising; and

(b) the due performance and observance by Grantor of all of its other obligations from time to time existing in respect of the Debentures and the other Loan Documents to which it is a party.

Without limiting the generality of the foregoing, this Agreement secures the payment of all amounts that constitute part of the Secured Obligations and would be owed by Grantor to the Holders under the Debentures and the other Loan Documents but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving a Grantor.

SECTION 4. Representations and Warranties. Grantor represents and warrants as follows:

(a) Grantor (i) is a corporation, duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation as set forth on the first page hereof, and (ii) has all requisite power and authority to conduct its business as now conducted and as presently contemplated and to execute and deliver this Agreement and to consummate the transactions contemplated hereby.

(b) There is no pending or, to the knowledge of Grantor, threatened, in writing, action, suit, proceeding or claim before any court or other Governmental Authority or any arbitrator, or any order, judgment or award by any court or other Governmental Authority or arbitrator, that may adversely affect the grant by Grantor, or the perfection, of the security interest purported to be created hereby in the Collateral, or the exercise by Holders of any rights or remedies hereunder.

(c) Grantor and will be at all times the sole and exclusive owner of the Collateral free and clear of any Lien, except for (i) the security interest created by this Agreement, (ii) the security interests and other encumbrances permitted by the Debentures and (iii) sales of assets permitted by the terms of the Debentures and the other Loan Documents. No effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording or filing office, except (x) such as may have been filed in favor of the Holders relating to this Agreement, and (y) such as may have been filed to perfect or protect any security interest or encumbrance permitted by the Debentures.

(d) The exercise by and Holder of any of its rights and remedies hereunder will not contravene law or any contractual restriction binding on or otherwise affecting Grantor or any of its properties and will not result in or require the creation of any Lien, security interest or other charge or encumbrance upon or with respect to any of its properties.

(e) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or any other Person, is required for (i) the grant by Grantor, or the perfection, of the security interest purported to be created hereby in the Collateral or (ii) the exercise by any Holder of any of its rights and remedies hereunder, except (A) for the filing under the Uniform Commercial Code as in effect in the applicable jurisdiction of the financing statements described in **Schedule III** hereto.

SECTION 5. Covenants as to the Collateral. So long as any of the Secured Obligations shall remain outstanding and the Debentures shall not have terminated, unless each Holder shall otherwise consent in writing:

(a) Further Assurances. Grantor will at its expense, at any time and from time to time, promptly execute and deliver all further instruments and documents and take all further action that may be necessary or desirable or that the Holders may request in order (i) to perfect and protect the security interest purported to be created hereby; (ii) to enable the Holders to exercise and enforce their rights and remedies hereunder in respect of the Collateral; or (iii) otherwise to effect the purposes of this Agreement.

(b) Transfers and Other Liens.

(i) Grantor will not sell, assign (by operation of law or otherwise), lease, exchange or otherwise transfer or dispose of any of the Collateral except to the extent expressly permitted under the terms of the Debenture, except that so long as no Event of Default shall have occurred and be continuing, the Grantor shall be permitted (x) to sell Inventory in the ordinary course of business and (y) to collect upon and enforce any judgment in the 777 Patent Litigation so long as all proceeds of any judgment in the 777 Patent Litigation shall be applied as required by the Loan Documents.

(ii) Grantor will not create or suffer to exist any Lien, security interest or other charge or encumbrance upon or with respect to any Collateral, except for (A) the Liens and security interest created by this Agreement and the other Loan Documents and (B) the Liens, security interests and other encumbrances permitted by the Debentures.

(c) Inspection and Reporting. Grantor shall permit the Holders or any agents or representatives thereof or such professionals or other Persons as the Holders may designate to examine and inspect the books and records of Grantor and take copies and extracts therefrom.

SECTION 6. Additional Provisions Concerning the Collateral.

(a) Grantor hereby authorizes the Holders to file, without the signature of Grantor where permitted by law, one or more financing or continuation statements, and amendments thereto, relating to the Collateral.

(b) Grantor hereby irrevocably appoints each Holder as its attorney-in-fact and proxy, with full authority in the place and stead of Grantor and in the name of Grantor or otherwise, from time to time in such Holder's discretion upon the occurrence and during the continuance of any breach of or default under any Loan Document, to take any action and to execute any instrument which such Holder may deem necessary or advisable to accomplish the purposes of this Agreement (including, without limitation, (i) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any Collateral, and (ii) to file any claims or take any action or institute any proceedings which such Holder may deem necessary or desirable for the collection of any Collateral or otherwise to enforce the rights of such Holder with respect to any Collateral. This power is coupled with an interest and is irrevocable until all of the Secured Obligations are paid in full and the Debentures have been terminated.

(c) If Grantor fails to perform any agreement contained herein, each Holder may itself perform, or cause performance of, such agreement or obligation, in the name of Grantor or such Holder, and the expenses of such Holder incurred in connection therewith shall be payable by Grantor pursuant to Section 8 hereof and shall be secured by the Collateral.

(d) The powers conferred on the Holders hereunder are solely to protect their interest in the Collateral and shall not impose any duty upon them to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, no Holder shall have any duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.

SECTION 7. Voting Rights, Dividends, Etc. in Respect of the Pledged Interests.

(a) So long as no Event of Default shall have occurred and be continuing:

(i) Grantor may exercise any and all voting and other consensual rights pertaining to any Pledged Interests for any purpose not inconsistent with the terms of this Agreement or the other Loan Documents;

(ii) Grantor may receive and retain any and all dividends, interest payments or other distributions paid in respect of the Pledged Interests to the extent permitted by the Loan Documents; provided, however, that any and all (A) dividends and interest paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of or in exchange for, any Pledged Interests, (B) dividends and other distributions paid or payable in cash in respect of any Pledged Interests in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in surplus, and (C) cash paid, payable or otherwise distributed in redemption of, or in exchange for, any Pledged Interests, together with any dividend, interest payment or other distribution which at the time of such dividend, interest payment or other distribution was not permitted by the Loan Documents, shall be, and shall forthwith be delivered to the Holders to hold as, Pledged Interests and shall, if received by Grantor or any of its affiliates on behalf of Grantor, be received in trust for the benefit of the Holders, shall be segregated from the other property or funds of Grantor or such affiliate, and shall be forthwith delivered to the Holders in the exact form received with any necessary endorsement and/or appropriate stock powers duly executed in blank, to be held by the Holders as Pledged Interests and as further collateral security for the Secured Obligations; and

(iii) the Holders will execute and deliver (or cause to be executed and delivered) to Grantor all such proxies and other instruments as Grantor may reasonably request for the purpose of enabling Grantor to exercise the voting and other rights which it is entitled to exercise pursuant to Section 7(a)(i) hereof and to receive the dividends, interest and/or other distributions which it is authorized to receive and retain pursuant to Section 7(a)(ii) hereof.

(b) Upon the occurrence and during the continuance of an Event of Default:

(i) all rights of Grantor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 7(a)(i) hereof, and to receive the dividends, distributions, interest and other payments which it would otherwise be authorized to receive and retain pursuant to Section 7(a)(ii) hereof, shall cease, and all such rights shall thereupon become vested in the Holders, who shall thereupon have the sole right to exercise such voting and other consensual rights and to receive and hold as Pledged Interests such dividends and interest payments;

(ii) without limiting the generality of the foregoing, the Holders may at their option exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any of the Pledged Interests as if it were the absolute owner thereof, including, without limitation, the right to exchange, in its discretion, any and all of the Pledged Interests upon the merger, consolidation, reorganization, recapitalization or other adjustment of the Pledged Issuer, or upon the exercise by the Pledged Issuer of any right, privilege or option pertaining to any Pledged Interests, and, in connection therewith, to deposit and deliver any and all of the Pledged Interests with any committee, depository, transfer agent, registrar or other designated agent upon such terms and conditions as it may determine; and

(iii) all dividends, distributions, interest and other payments which are received by Grantor contrary to the provisions of Section 7(b)(i) hereof shall be received in trust for the benefit of the Holders, shall be segregated from other funds of Grantor, and shall be forthwith paid over to the Holders as Pledged Interests in the exact form received with any necessary endorsement and/or appropriate stock powers duly executed in blank, to be held by the Holders as Pledged Interests and as further collateral security for the Secured Obligations.

SECTION 8. Remedies Upon Default. If any Event of Default shall have occurred and be continuing:

(a) The Holders may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to them, all of the rights and remedies of a secured party upon default under the Code (whether or not the Code applies to the affected Collateral), and also may (i) take absolute control of the Collateral, including without limitation, transfer into the Holders' name or into the name of their nominee or nominees (to the extent the Holders have not theretofore done so) and thereafter receive, for their benefit, all payments made thereon, give all consents, waivers and ratifications in respect thereof and otherwise act with respect thereto as though they were the outright owner thereof, (ii) require Grantor to, and Grantor hereby agrees that it will at its expense and upon request of any Holder forthwith, assemble all or part of the Collateral as directed by such Holder and make it available to such Holder at a place or places to be designated by such Holder which is reasonably convenient to both parties, and any Holder may enter into and occupy any premises owned or leased by Grantor where the Collateral of any part thereof is located or assembled for a reasonable period in order to effectuate the Holders' rights and remedies hereunder or under law, without obligation to Grantor in respect of such occupation, and (iii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any Holder's offices or elsewhere, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as the Holders may deem commercially reasonable. Grantor agrees that, to the extent notice of sale shall be required by law, at least 10 days' notice to Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Holders shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Holders may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Grantor hereby waives any claims against the Holders arising by reason of the fact that the price at which the Collateral may have been sold at a private sale was less than the price which might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Holders accept the first offer received and does not offer the Collateral to more than one offeree and waives all rights which Grantor may have to require that all or any part of the Collateral be marshalled upon any sale (public or private) thereof.

(b) Any cash held by any Holder as Collateral and all cash proceeds received by the Holders in respect of any sale of or collection from, or other realization upon, all or any part the Collateral may, in the discretion of the Holders, be held by the Holders as collateral for, and/or then or at any time thereafter applied in whole or in part by the Holders against, all or any part of the Secured Obligations.

SECTION 9. Indemnity and Expenses.

(a) Grantor agrees to indemnify and hold each Holder harmless from and against any and all claims, damages, losses, liabilities, obligations, penalties, costs or expenses (including, without limitation, legal fees and disbursements of each Holder's counsel) to the extent that they arise out of or otherwise result from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities resulting solely and directly from such Holder's gross negligence or willful misconduct as determined by a final judgment of a court of competent jurisdiction.

(b) Grantor agrees that upon demand Grantor will pay to each Holder the amount of any and all costs and expenses, including the reasonable fees and disbursements of such Holder's counsel and of any experts and agents, which such Holder may incur in connection with (i) the preparation, negotiation, execution, delivery, recordation, administration, amendment, waiver or other modification or termination of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any Collateral, (iii) the exercise or enforcement of any of the rights of any Holder hereunder, or (iv) the failure by Grantor to perform or observe any of the provisions hereof.

SECTION 10. Notices, Etc. All notices and other communications provided for hereunder shall be in writing and shall be mailed (by certified mail, postage prepaid and return receipt requested), telecopied or delivered by hand, Federal Express or other reputable overnight courier, if to Grantor, to it in at the address set forth in theDebentures, or if to any Holder, to it at its address set forth in the Debentures; or as to such Person at such other address as shall be designated by such Person in a written notice to such other Persons complying as to delivery with the terms of this Section 10. All such notices and other communications shall be effective (a) if mailed, when received or three (3) days after deposited in the mails, whichever occurs first; (b) if telecopied, when transmitted and confirmation is received; or (c) if delivered by hand, Federal Express or other reputable overnight courier, upon delivery.

SECTION 11. Miscellaneous.

(a) No amendment of any provision of this Agreement shall be effective unless it is in writing and signed by Grantor and each Holder, and no waiver of any provision of this Agreement, and no consent to any departure by Grantor therefrom, shall be effective unless it is in writing and signed by each Holder, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) No failure on the part of the Holders to exercise, and no delay in exercising, any right hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of the Holders provided herein and in the other Loan Documents are cumulative and are in addition to, and not exclusive of, any rights or remedies provided by law. The rights of the Holders under any Loan Document against any party thereto are not conditional or contingent on any attempt any Holder to exercise any of its rights under any other Loan Document against such party or against any other Person.

(c) Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

(d) This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the payment in full of the Secured Obligations and the termination of the Debentures, and (ii) be binding on Grantor and its successors and assigns and shall inure, together with all rights and remedies of the Holders hereunder, to the benefit of the Holders and their permitted successors, transferees and assigns. Without limiting the generality of clause (ii) of the immediately preceding sentence, each Holder may assign or otherwise transfer its rights under this Agreement and any other Loan Document, to any other Person and such other Person shall thereupon become vested with all of the benefits in respect thereof granted to such Holder herein or otherwise. None of the rights or obligations of Grantor hereunder may be assigned or otherwise transferred without the prior written consent of the Holders, and any such assignment or transfer shall be null and void.

(e) Upon the satisfaction in full of the Secured Obligations and the termination of the Debentures, (i) this Agreement and the security interests created hereby shall terminate and all rights to the Collateral shall revert to Grantor, and (ii) the Holders will, upon Grantor's request and at Grantor's expense promptly, (A) return to Grantor such of the Collateral as shall not have been sold or otherwise disposed of or applied pursuant to the terms hereof, and (B) execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence such termination, all without any representation, warranty or recourse whatsoever.

(f) Any and all obligations on the part any Holder under this Agreement shall constitute the several (and not joint) obligations of each Holder.

(g) This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York, except as required by mandatory provisions of law and except to the extent that the validity and perfection or the perfection and effect of perfection or non-perfection of the security interest created hereby or remedies hereunder, in respect of any particular Collateral are governed by the law of a jurisdiction other than the State of New York.

(h) This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one in the same agreement.

SECTION 12. Submission to Jurisdiction; Waivers. Grantor hereby irrevocably and unconditionally:

(a) Submits for itself and its property in any action, suit or proceeding relating to this Agreement or any other Loan Document to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts thereof;

(b) Agrees that any such action, suit or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action, suit or proceeding in any such court or that such action, suit or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) Irrevocably consents to the service of any and all process in any such action, suit or proceeding by the mailing of copies of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to Grantor, at its address set forth in Section 9 hereof or at such other address of which the Holders shall have been notified pursuant thereto;

(d) To the extent that Grantor has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, Grantor hereby irrevocably waives such immunity in respect of its obligations under this Agreement;

(e) Agrees that nothing herein shall affect the right of the Holders to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(f) Waives any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

SECTION 13. Jury Trial Waiver. THE GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM CONCERNING THIS PLEDGE AGREEMENT, ANY LOAN DOCUMENT OR ANY AMENDMENT, MODIFICATION OR OTHER DOCUMENT NOW OR HEREAFTER DELIVERED IN CONNECTION WITH ANY OF THE FOREGOING, AND AGREES THAT ANY SUCH ACTION, PROCEEDING OR COUNTERCLAIM SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

[Signature Page Follows]

IN WITNESS WHEREOF, Grantor has caused this Agreement to be executed and delivered by its officer thereunto duly authorized as of the date first above written.

GRANTOR:

DIOMED, INC.

By: _____

Name:

Title:

Address: _____

_____

_____

Attention: _____

Telephone: _____

Facsimile: _____

HOLDERS:

IROQUOIS CAPITAL LP

By: _____
Name:
Title:
Address: _____
_____
_____
Attention: _____
Telephone: _____
Facsimile: _____

CRANSHIRE CAPITAL, L.P.

By: _____
Name:
Title:
Address: _____
_____
_____
Attention: _____
Telephone: _____
Facsimile: _____

PORTSIDE GROWTH AND OPPORTUNITY FUND

By: _____
Name:
Title:
Address: _____
_____
_____
Attention: _____
Telephone: _____
Facsimile: _____

ROCKMORE INVESTMENT MASTER FUND LTD.

By: _____

Name:

Title:

Address: _____

_____

_____

Attention: _____

Telephone: _____

Facsimile: _____

SCHEDULE I

[Intellectual Property]

SCHEDULE II

Name of Pledged Issuer	Number of Shares	Percentage of Outstanding Shares		Class	Certificate Number
	40,000,000			Common	1
Diomed, Inc.	3,500,000	100	%	Preferred	P-1
Diomed Acquisition Corporation	1,000	100	%	Common	1
Diomed PDT, Inc.	100	100	%	Common	1

SCHEDULE III

GRANTOR	FILING OFFICE
Diomed Holdings, Inc.	Delaware

This Guaranty and the rights, remedies, representations and obligations of the parties hereto are subject to the terms and conditions of that certain Intercreditor Agreement between Hercules Technology Growth Capital, Inc. and each of Iroquois Capital LP, Cranshire Capital, L.P., Portside Growth and Opportunity Fund and Rockmore Investment Master Fund Ltd. dated as of September 28, 2007.

GUARANTY

THIS GUARANTY, dated as of September 28, 2007 (this "Guaranty"), made by Diomed, Inc., a Delaware corporation (the "Guarantor"), in favor of the holders (the "Holders") of the Amended and Restated Variable Rate Secured Subordinated Convertible Debentures due October 2008 (the "Debentures") issued by Diomed Holdings, Inc., a Delaware corporation ("Borrower").

WITNESSETH:

WHEREAS, Grantor is a subsidiary of Borrower and, as such, will benefit by virtue of the financial accommodations extended to Borrower by the Holders; and;

WHEREAS, in order to induce the Holders to enter into the Debentures and any other instruments, documents or agreements, as amended from time to time, now or hereafter securing Borrower's indebtedness to the Holders arising under the Debentures (collectively, the "Security Instruments") and the other Loan Documents (defined below) and to extend the financial accommodations to the Borrower pursuant to the Debentures, and in consideration thereof, the Guarantor has agreed to a guaranty of the Guaranteed Obligations (defined below) as set forth herein. This Guaranty, the Guarantor Pledge and Security Agreement, the Security Instruments, together with the Debenture and any and all amendments and modifications thereof, are individually referred to as a "Loan Document" and collectively referred to as the "Loan Documents."

NOW, THEREFORE, in consideration of the foregoing, the Guarantor hereby agrees as follows:

SECTION 1. Definitions. Reference is hereby made to the Debentures for a statement of the terms thereof. All terms used in this Guaranty which are defined in the Debentures and not otherwise defined herein shall have the same meanings herein as set forth therein. In addition, the following terms shall have the meanings specified below, such meanings to be applicable equally to both the singular and the plural forms of such terms:

"Bankruptcy Code" means the United States Bankruptcy Code, as in effect from time to time.

"Collateral" shall have the meaning assigned to the term "Collateral" in Guarantor Pledge and Security Agreement.

"Guarantor Pledge and Security Agreement" means the Pledge and Security Agreement made by Guarantor in favor of the Holders, substantially in the form of Exhibit A, securing the Guaranteed Obligations and delivered to the Holders.

"Insolvency Proceeding" means any proceeding commenced by or against any Person under any provision of the Bankruptcy Code or under any other bankruptcy or insolvency law, assignments for the benefit of creditors, formal or informal moratoria, compositions, extensions generally with creditors, or proceedings seeking reorganization, arrangement, or other similar relief.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment for security, security interest, encumbrance, lien or charge of any kind, whether voluntarily incurred or arising by operation of law or otherwise, against any property, any conditional sale or other title retention agreement, and any lease in the nature of a security interest.

"Person" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, other entity or government.

SECTION 2. Guaranty. The Guarantor hereby (a) unconditionally and irrevocably guarantees the punctual payment, as and when due and payable, by stated maturity or otherwise, of all obligations of Borrower now or hereafter existing under any Loan Document, whether for principal, interest (including, without limitation, all interest that accrues after the commencement of any Insolvency Proceeding, whether or not a claim for post-filing interest is allowed in such proceeding), fees, premiums, commissions, reimbursements of expenses, indemnifications or otherwise (such obligations, to the extent not paid by the Borrower, being hereinafter referred to as the "Guaranteed Obligations"), and (b) agrees to pay any and all expenses (including reasonable counsel fees and expenses) incurred by the Holders in enforcing any rights under this Guaranty (the "Guaranty Expenses"). Without limiting the generality of the foregoing, the Guarantor's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by the Borrower to the Holders under any Loan Document but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Borrower.

SECTION 3. Guaranty Absolute; Continuing Guaranty; Assignments.

(a) The Guarantor guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of the Loan Documents, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Holders with respect thereto. The obligations of the Guarantor under this Guaranty are independent of the Guaranteed Obligations, and a separate action or actions may be brought and prosecuted against the Guarantor to enforce such obligations, irrespective of whether any action is brought against the Borrower or whether the Borrower is joined in any such action or actions. The liability of the Guarantor under this Guaranty shall be irrevocable, absolute and unconditional irrespective of, and the Guarantor hereby irrevocably waives, to the fullest extent permitted by applicable law, any defenses it may now or hereafter have in any way relating to, any or all of the following:

(i) any lack of validity or enforceability of any Loan Document or any agreement or instrument relating thereto;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations, or any other amendment or waiver of or any consent to departure from any Loan Document, including, without limitation, any increase in the Guaranteed Obligations resulting from the extension of additional credit to the Borrower or otherwise;

(iii) any taking, exchange, release or non-perfection of any Collateral, or any taking, release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guaranteed Obligations;

(iv) any change, restructuring or termination of the corporate, limited liability company or partnership structure or existence of the Borrower; or

(v) any other circumstance (including any statute of limitations) or any existence of or reliance on any representation by any Holder that might otherwise constitute a defense available to, or a discharge of, the Borrower or any other guarantor or surety, other than payment in full of the Guaranteed Obligations.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by any Holder or any other Person upon the insolvency, bankruptcy or reorganization of the Borrower or otherwise, all as though such payment had not been made.

(b) This Guaranty is a continuing guaranty and shall remain in full force and effect until the later of (i) the payment in full of the Guaranteed Obligations and all Guaranty Expenses and (ii) the Maturity Date.

SECTION 4. Demand on the Guarantor. If (a) the Borrower fails to make any payment under the Loan Documents when due, or (b) an Event of Default or a Guaranty Default has occurred, the Holders may make written demand on the Guarantor under this Guaranty for payment of the Guaranteed Obligations, which shall be paid by the Guarantor, in a single payment calculated as of the date of actual payment thereof, to the Holders within 5 days after receipt of such written demand therefor.

SECTION 5. Waivers. The Guarantor hereby waives promptness, diligence, notice of acceptance and any other notice (except as provided by Section 4 hereof) with respect to any of the Guaranteed Obligations and this Guaranty and any requirement that the Holders exhaust any right or take any action against the Borrower or any other Person or any Collateral. The Guarantor waives all set-offs and counterclaims and presentment, protest, notice, filing of claims with a court in the event of any Insolvency Proceeding with respect to the Borrower or any other Person, demand or action on delinquency in respect of the Guaranteed Obligations or any part thereof. The Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated herein and that the waiver set forth in this Section 5 is knowingly made in contemplation of such benefits. The Guarantor hereby waives any right to revoke this Guaranty, and acknowledges that this Guaranty is continuing in nature and applies to all Guaranteed Obligations, whether existing now or in the future.

SECTION 6. Subrogation. The Guarantor will not exercise any rights that it may now or hereafter acquire against the Borrower or any other guarantor that arise from the existence, payment, performance or enforcement of the Guarantor's obligations under this Guaranty, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of the Holders against the Borrower or any other guarantor or any Collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the Borrower or any other guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security solely on account of such claim, remedy or right, unless and until all of the Guaranteed Obligations and all other amounts payable under this Guaranty shall have been paid in full and the Debentures shall have been terminated. If any amount shall be paid to the Guarantor in violation of the immediately preceding sentence at any time prior to the later of the date on which all of the Guaranteed Obligations and all other amounts payable under this Guaranty shall have been paid in full and the Debentures shall have been terminated, such amount shall be held in trust for the benefit of the Holders and shall forthwith be paid to the Holders, to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of this Guaranty and the Debentures, or to be held as Collateral for any Guaranteed Obligations or other amounts payable under this Guaranty thereafter arising.

SECTION 7. Representations and Warranties; No Event of Default. The following statements shall be true and correct: (i) the representations and warranties of the Guarantor herein and in each certificate or other writing delivered by the Guarantor to the Holders pursuant hereto are true and correct and (ii) no Event of Default shall have occurred and be continuing or would result from this Guaranty becoming effective in accordance with its terms.

SECTION 8. Delivery of Documents. The Holders shall have received the following, each in form and substance satisfactory to the Holders:

(i) a counterpart to this Guaranty that bears the signature of the Guarantor;

(ii) a copy of the resolutions of the Guarantor, certified as of the date hereof, authorizing the execution, delivery and performance by the Guarantor of this Guaranty;

(iii) a certificate of an authorized officer of the Guarantor, certifying the names and true signatures of the representatives of the Guarantor authorized to sign this Guaranty together with evidence of the incumbency of such authorized officers;

(iv) a certificate of the appropriate official(s) of the jurisdiction of organization and each jurisdiction of foreign qualification, if any, of the Guarantor certifying as to the subsistence in good standing of, and the payment of taxes by, the Guarantor in such jurisdiction; and

(v) a true and complete copy of the charter documents of the Guarantor certified as of a recent date not more than 30 days prior to the date hereof by an appropriate official of the jurisdiction of organization of the Guarantor which shall set forth the same complete name of the Guarantor as is set forth herein and the organizational number of the Guarantor, if an organizational number is issued in such jurisdiction.

SECTION 9. Representations and Warranties. The Guarantor hereby represents and warrants as follows:

(a) The Guarantor (i) is a corporation, duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation as set forth on the first page hereof, (ii) has all requisite power and authority to conduct its business as now conducted and as presently contemplated and to execute and deliver this Guaranty and to consummate the transactions contemplated hereby and (iii) is duly qualified to do business and is in good standing in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary.

(b) The execution, delivery and performance by the Guarantor of this Guaranty (i) have been duly authorized by all necessary action, (ii) do not and will not contravene its certificate of incorporation or by-laws, or any applicable law or any material contractual restriction binding on or otherwise affecting it or its properties, (iii) do not and will not result in or require the creation of any Lien (other than pursuant to any Loan Document) upon or with respect to any of its properties, and (iv) do not and will not result in any default, noncompliance, suspension, revocation, impairment, forfeiture or nonrenewal of any permit, license, authorization or approval which is necessary to the conduct of its business.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority is required in connection with the due execution, delivery and performance by the Guarantor of this Guaranty.

(d) This Guaranty is a legal, valid and binding obligation of the Guarantor, enforceable against it in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws and general principles affecting the enforcement of creditor's rights generally.

(e) There is no pending or, to the knowledge of the Guarantor, threatened, in writing, action, suit or proceeding affecting it or to which any of its properties is subject, before any court or other governmental authority or any arbitrator that (i) if adversely determined, which could reasonably be expected to result in a material adverse effect or (ii) relates to this Guaranty or any transaction contemplated hereby.

(f) The Guarantor (i) has read and understands the terms and conditions of the Debentures and the other Loan Documents, and (ii) now has independent means of obtaining information concerning the affairs, financial condition and business of the Borrower, and has no need of, or right to obtain from the Holders, any credit or other information concerning the affairs, financial condition or business of the Borrower that may come under the control of the Holders.

(g) The Guarantor hereby acknowledges and agrees that the Holders have extended credit to the Borrower in reliance upon (i) the obligations of the Guarantor hereunder.

SECTION 10. Covenants. The Guarantor hereby covenants and agrees as follows:

(a) The Guarantor shall (i) maintain and preserve in full force and effect its existence and (ii) comply in all respects with all requirements of law applicable in respect of the conduct of its business and the ownership and operation of its properties, except to the extent that the failure to so comply could not reasonably be expected to result in a material adverse effect.

(b) The Guarantor shall not enter into any agreement or any amendment or modification of any organizational document or any other agreement, instrument (i) that restricts the ability of the Guarantor to use its assets to pay its obligations hereunder or (ii) that would otherwise adversely affect the rights of the Holders hereunder.

SECTION 11. Guaranty Defaults. Each of the following events shall constitute a "Guaranty Default" hereunder:

(a) If the Guarantor fails to perform, keep, or observe any term, provision, condition, covenant, or agreement contained in this Guaranty or the Guarantor Pledge and Security Agreement;

(b) There shall be a period of 5 days after any material portion of the Guarantor's assets is attached, seized, subjected to a writ or distress warrant, levied upon, or comes into the possession of any third Person;

(c) If an Insolvency Proceeding is commenced by the Guarantor;

(d) If an Insolvency Proceeding is commenced against the Guarantor, and any of the following events occur: (i) the Guarantor consents to the institution of the Insolvency Proceeding against it, (ii) the petition commencing the Insolvency Proceeding is not timely controverted, (iii) the petition commencing the Insolvency Proceeding is not dismissed within 60 calendar days of the date of the filing thereof; provided, however, that, during the pendency of such period, the Holders (including any agent, successor or assign) shall be relieved of their obligation to extend credit under the Debentures, (iv) an interim trustee is appointed to take possession of all or any substantial portion of the properties or assets of, or to operate all or any substantial portion of the business of, the Guarantor, or (e) an order for relief shall have been entered therein;

(e) If the Guarantor is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of its business affairs;

(f) If a notice of Lien, levy, or assessment is filed of record with respect to the Guarantor's assets by the United States or any department, agency, or instrumentality thereof, or by any state, county, municipal, or governmental agency, or if any taxes or debts owing at any time hereafter to any one or more of such entities becomes a Lien, whether choate or otherwise, upon the Guarantor's assets to secure an aggregate amount in excess of $250,000 and the same is not paid on or before the payment date thereof;

(g) If a judgment or other claim for an amount in excess of $250,000 becomes a Lien or encumbrance upon any material portion of the Guarantor's properties or assets;

(h) If any material misstatement or misrepresentation exists now or hereafter in any warranty, representation, statement, or record made to the Holders by the Guarantor, or any officer, employee, agent, or director of the Guarantor;

(i) If there is a loss, suspension or revocation of, or failure to renew, any license or permit now held or hereafter acquired by the Guarantor and such loss, suspension, revocation or failure to renew could reasonably be expected result in a material impairment in the guarantor's ability to perform their obligations under this Guaranty;

(j) If the obligation of the Guarantor under this Guaranty is limited or terminated by operation of law or by the Guarantor hereunder; or

(k) If any material provision of this Guaranty shall at any time for any reason be declared to be null and void, or the validity or enforceability thereof shall be contested by the Guarantor or any other Person, or a proceeding shall be commenced by the Guarantor or any other Person, or by any governmental authority having jurisdiction over the Guarantor, seeking to establish the invalidity or unenforceability hereof, or the Guarantor shall deny that it has any liability or obligation purported to be created hereunder;

then, and in such event, the Holders shall have the rights and remedies set forth in Section 4 of this Guaranty and the other Loan Documents.

SECTION 12. Right of Set-off. Upon the occurrence and during the continuance of any Event of Default or any Guaranty Default, the Holders may, and are hereby authorized to, at any time and from time to time, without notice to the Guarantor (any such notice being expressly waived by the Guarantor) and to the fullest extent permitted by law, set-off and apply any indebtedness at any time owing by the Holders to or for the credit or the account of the Guarantor against any and all obligations of the Guarantor now or hereafter existing under this Guaranty or any other Loan Document, irrespective of whether or not the Holders shall have made any demand under this Guaranty or any other Loan Document and although such obligations may be contingent or unmatured. The Holders agree to provide prompt written notice to the Guarantor after any such set-off and application made by such Holder, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Holders under this Section 12 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Holders may have under this Guaranty or any other Loan Document, at law or otherwise.

SECTION 13. Notices, Etc. All notices and other communications provided for hereunder shall be in writing and shall be mailed (by certified mail, postage prepaid and return receipt requested), telecopied or delivered by hand, Federal Express or other reputable overnight courier, if to the Guarantor, to it at its address set forth on the signature page hereto, and if to the Holders, to them at their address set forth in the Debentures; or as to any such Person, at such other address as shall be designated by such Person in a written notice to such other Person complying as to delivery with the terms of this Section 13. All such notices and other communications shall be effective, (a) if mailed (certified mail, postage prepaid and return receipt requested), when received or 3 days after deposited in the mails, whichever occurs first, (b) if telecopied, when transmitted and confirmation received, or (c) if delivered by hand, Federal Express or other reputable overnight courier, upon delivery.

SECTION 14. CONSENT TO JURISDICTION; SERVICE OF PROCESS AND VENUE. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS GUARANTY MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK IN THE COUNTY OF NEW YORK OR OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE GUARANTOR HEREBY IRREVOCABLY ACCEPTS IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. THE GUARANTOR HEREBY IRREVOCABLY APPOINTS THE SECRETARY OF STATE OF THE STATE OF NEW YORK AS ITS AGENT FOR SERVICE OF PROCESS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING AND FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS AND IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO IT AT ITS ADDRESS FOR NOTICES AS SET FORTH ON THE SIGNATURE PAGE HERETO OR TO THE SECRETARY OF STATE OF THE STATE OF NEW YORK, SUCH SERVICE TO BECOME EFFECTIVE 10 DAYS AFTER SUCH MAILING. THE GUARANTOR AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE HOLDERS TO SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE GUARANTOR IN ANY OTHER JURISDICTION. THE GUARANTOR HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE JURISDICTION OR LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT THE GUARANTOR HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM THE JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, THE GUARANTOR HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS GUARANTY.

SECTION 15. WAIVER OF JURY TRIAL, ETC. THE GUARANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM CONCERNING THIS PLEDGE AGREEMENT, ANY LOAN DOCUMENT OR ANY AMENDMENT, MODIFICATION OR OTHER DOCUMENT NOW OR HEREAFTER DELIVERED IN CONNECTION WITH ANY OF THE FOREGOING, AND AGREES THAT ANY SUCH ACTION, PROCEEDING OR COUNTERCLAIM SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY THE HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM CONCERNING ANY RIGHTS UNDER THIS GUARANTY AND AGREES THAT ANY SUCH ACTION, PROCEEDINGS OR COUNTERCLAIM SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

SECTION 16. Taxes.

(a) All payments made by the Guarantor hereunder shall be made without set-off, counterclaim, deduction or other defense. All such payments shall be made free and clear of and without deduction for any present or future taxes. If the Guarantor shall be required to deduct or to withhold any taxes from or in respect of any amount payable hereunder,

(i) the amount so payable shall be increased to the extent necessary so that after making all required deductions and withholdings (including taxes on amounts payable to the Holders pursuant to this sentence) the Holders receive an amount equal to the sum they would have received had no such deduction or withholding been made,

(ii) the Guarantor shall make such deduction or withholding,

(iii) the Guarantor shall pay the full amount deducted or withheld to the relevant taxation authority in accordance with applicable law, and

(iv) as promptly as possible thereafter, the Guarantor shall send the Holders an official receipt (or, if an official receipt is not available, such other documentation as shall be satisfactory to the Holders) showing payment. In addition, the Guarantor agrees to pay any present or future taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery, performance, recordation or filing of, or otherwise with respect to, this Guaranty.

(b) The Guarantor hereby indemnifies and agrees to hold the Holders harmless from and against taxes (including, without limitation, any taxes imposed by any jurisdiction on amounts payable under this Section 16) paid by the Holders and any liability (including penalties, interest and expenses for nonpayment, late payment or otherwise) arising therefrom or with respect thereto, whether or not such taxes were correctly or legally asserted. This indemnification shall be paid within 30 days from the date on which any Holder makes written demand therefor, which demand shall identify the nature and amount of taxes.

(c) If the Guarantor fails to perform any of its obligations under this Section 16, the Guarantor shall indemnify the Holders for any taxes, interest or penalties that may become payable as a result of any such failure. The obligations of the Guarantor under this Section 16 shall survive the termination of this Guaranty and the payment of the Guaranteed Obligations and all other amounts payable hereunder.

SECTION 17. Miscellaneous.

(a) The Guarantor will make each payment hereunder in lawful money of the United States of America and in immediately available funds to the Holders, for the benefit of the Holders, at such address specified by the Holders from time to time by notice to the Guarantor.

(b) No amendment or waiver of any provision of this Guaranty and no consent to any departure by the Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by the Guarantor and the Holders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(c) No failure on the part of the Holders to exercise, and no delay in exercising, any right hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder or under any Loan Document preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of the Holders provided herein and in the other Loan Documents are cumulative and are in addition to, and not exclusive of, any rights or remedies provided by law. The rights of the Holders under any Loan Document against any party thereto are not conditional or contingent on any attempt by the Holders to exercise any of their rights under any other Loan Document against such party or against any other Person.

(d) Any provision of this Guaranty which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

(e) This Guaranty shall (i) be binding on the Guarantor and the Holders and their respective successors and assigns, and (ii) inure, together with all rights and remedies of the Holders hereunder, to the benefit of and be enforceable by the Holders, and their respective successors, transferees and assigns. Without limiting the generality of clause (ii) of the immediately preceding sentence, any Holder may assign or otherwise transfer its rights and obligations under the Debentures or any other Loan Document to any other Person in accordance with the terms of the Debentures, and such other Person shall thereupon become vested with all of the benefits in respect thereof granted to the Holders herein or otherwise. The Guarantor agrees that each participant shall be entitled to the benefits of Section 16 with respect to its participation in any portion of the Guaranteed Obligations as if it was a Holder. None of the rights or obligations of the Guarantor hereunder may be assigned or otherwise transferred without the prior written consent of the Holders.

(f) This Guaranty and the other Loan Documents represent the entire agreement of the Guarantor and the Holders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Holders relative to the subject matter thereof not expressly set forth or referred to herein or in the other Loan Documents.

(g) This Guaranty may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Guaranty by telecopier or electronic transmission shall be equally as effective as delivery of an original executed counterpart of this Guaranty.

(h) Section headings herein are included for convenience of reference only and shall not constitute a part of this Guaranty for any other purpose.

(i) THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED THEREIN WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be executed by an officer thereunto duly authorized, as of the date first above written.

GUARANTOR:

DIOMED, INC.

By: _____

Name: David B. Swank

Title: Chief Financial Officer

Address: One Dundee Park
Andover, MA 01810

Attention: David B. Swank, Chief Financial Officer

Telephone: 978-824-1823

Facsimile: 978-475-8488

HOLDERS:

IROQUOIS CAPITAL LP

By: _____

Name:

Title:

Address: _____

_____

_____

Attention: _____

Telephone: _____

Facsimile: _____

CRANSHIRE CAPITAL, L.P.

By: _____

Name:

Title:

Address: _____

_____

_____

Attention: _____

Telephone: _____

Facsimile: _____

PORTSIDE GROWTH AND OPPORTUNITY
FUND

By: _____

Name:

Title:

Address: _____

_____

_____

Attention: _____

Telephone: _____

Facsimile: _____

ROCKMORE INVESTMENT MASTER FUND
LTD.

By: _____

Name:

Title:

Address: _____

_____

_____

Attention: _____

Telephone: _____

Facsimile: _____

EXHIBIT A

Guarantor Pledge and Security Agreement

This Guarantor Pledge and Security Agreement and the rights, remedies, representations and obligations of the parties hereto are subject to the terms and conditions of that certain Intercreditor Agreement between Hercules Technology Growth Capital, Inc. and each of Iroquois Capital LP, Cranshire Capital, L.P., Portside Growth and Opportunity Fund and Rockmore Investment Master Fund Ltd dated as of September 28, 2007.

GUARANTOR PLEDGE AND SECURITY AGREEMENT

GUARANTOR PLEDGE AND SECURITY AGREEMENT, dated as of September 28, 2007, made by Diomed, Inc., a Delaware corporation ("**Grantor**"), in favor of Iroquois Capital LP, Cranshire Capital, L.P., Portside Growth and Opportunity Fund and Rockmore Investment Master Fund Ltd (together, with their successors and assigns, the "**Holders**"), the holders of the Amended and Restated Variable Rate Secured Subordinated Convertible Debentures due October 2008 (the "**Debentures**") issued by Diomed Holdings, Inc., a Delaware corporation ("**Borrower**").

WITNESSETH:

WHEREAS, Grantor is a subsidiary of Borrower and, as such, will benefit by virtue of the financial accommodations extended to Borrower by the Holders; and

WHEREAS, Grantor, has executed and delivered to the Holders a guaranty dated the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "**Guaranty**") guaranteeing all obligations under the Debentures;

WHEREAS, the Guaranty contemplates the execution and delivery by Grantor to the Holders of a security agreement providing for the grant to the Holders of a security interest in all assets of Grantor;

NOW, THEREFORE, in consideration of the premises and the agreements herein and in order to induce the Holders to extend financial accommodations to Borrower, Grantor hereby agrees for the benefit of the Holders as follows:

SECTION 1. Definitions.

(a) Reference is hereby made to the Guaranty and the Debentures for a statement of the terms thereof. All terms used in this Agreement which are defined in the Debentures, the Guaranty or in Article 9 of the Uniform Commercial Code (the "**Code**") currently in effect in the State of New York and which are not otherwise defined herein shall have the same meanings herein as set forth therein.

(b) The following terms shall have the respective meanings provided for in the Code: "Accounts", "Cash Proceeds", "Chattel Paper", "Commercial Tort Claim", "Deposit Account", "Documents", "Equipment", "Fixtures", "General Intangibles", "Goods", "Instruments", "Inventory", "Investment Property", "Letter-of-Credit Rights", "Noncash Proceeds", "Proceeds", "Promissory Notes", "Record", and "Supporting Obligations".

(c) As used in this Agreement, the following terms shall have the respective meanings indicated below, such meanings to be applicable equally to both the singular and plural forms of such terms:

"**777 Patent Litigation**" means litigation relating to the Grantor and Borrower's patent infringement case against AngioDynamics, Inc, and Vascular Solutions, Inc. relating to '777 patent, Civil Action No. 04-10019NMG and Civil Action No. 04-10444NMG, filed in the United States District Court for the District of Massachusetts.

"**Capital Stock**" means (a) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, and (b) with respect to any Person that is not a corporation, any and all partnership, membership or other equity interests of such Person.

"**Copyright Licenses**" means all licenses, contracts or other agreements, whether written or oral, naming Grantor as licensee or licensor and providing for the grant of any right to use or sell any works covered by any copyright.

"**Copyrights**" means all domestic and foreign copyrights, whether registered or unregistered, including, without limitation, all copyright rights throughout the universe (whether now or hereafter arising) in any and all media (whether now or hereafter developed), in and to all original works of authorship fixed in any tangible medium of expression (including computer software and internet website content) now owned or hereafter owned, acquired or used by Grantor, all applications, registrations and recordings thereof (including, without limitation, applications, registrations and recordings in the United States Copyright Office or in any similar office or agency of the United States or any other country or any political subdivision thereof), all reissues, divisions, continuations, continuations in part and extensions or renewals thereof, the right to recover for all past, present and future infringements thereof, and all other rights of any kind whatsoever accruing thereunder or pertaining thereto.

"**Intellectual Property**" means all Copyrights, Trademarks, Patents and Other Intellectual Property, including those described in **Schedule I** hereto.

"**Licenses**" means the Copyright Licenses, the Trademark Licenses and the Patent Licenses.

"**Other Intellectual Property**" means all trade secrets, ideas, inventions and improvements, concepts, methods, techniques, processes, proprietary information, technology, know-how, formulae, design detail, drawings, all Software, computer software (including object and source code, data and related documentation), rights of publicity and other general intangibles of like nature, now existing or hereafter acquired, owned, developed or used by Grantor.

"**Patent Licenses**" means all licenses, contracts or other agreements, whether written or oral, naming Grantor as licensee or licensor and providing for the grant of any right to manufacture, use or sell any invention covered by any Patent.

"**Patents**" means all domestic and foreign letters patent, design patents, utility patents, industrial designs, inventions, improvements, trade secrets, ideas, concepts, methods, techniques, processes, proprietary information, technology, know how, formulae, rights of publicity and other general intangibles of like nature, now existing or hereafter acquired, all applications, registrations and recordings thereof (including, without limitation, applications, registrations and recordings in the United States Patent and Trademark Office, or in any similar office or agency of the United States or any other country or any political subdivision thereof), all reissues, divisions, continuations, continuations in part and extensions or renewals thereof, all income, royalties, damages and payments now or hereafter due and/or payable for past or future infringements thereof, the right to sue for past, present and future infringements thereof, and all rights corresponding thereto throughout the world.

"**Pledged Interests**" means the Pledged Shares and all security entitlements therein.

"**Pledged Shares**" means (a) the shares of Capital Stock including those described in **Schedule II** hereto, whether or not evidenced or represented by any stock certificate, certificated security or other Instrument, issued by the Person described in such **Schedule II** (the "**Pledged Issuer**"), (b) any other shares of Capital Stock of the Pledged Issuer at any time and from time to time acquired by Grantor, whether or not evidenced or represented by any stock certificate, certificated security or other Instrument, and (c) the certificates representing such shares of Capital Stock, all options and other rights, contractual or otherwise, in respect thereof and all dividends, distributions, cash, Instruments, Investment Property, financial assets, securities, Capital Stock, other equity interests, stock options and commodity contracts, notes, debentures, bonds, promissory notes or other evidences of indebtedness and all other property (including, but not limited to, any stock dividend and any distribution in connection with a stock split) from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Capital Stock.

"**Software**" means any computer programs and computer systems (including all databases, compilations, tool sets, compilers, higher level or proprietary languages, related documentation and materials, whether in source code, object code or human readable form) sold, marketed, distributed, licensed or maintained by each Grantor, and any computer programs necessary for the conduct of the business of each Grantor.

"**Trademark Licenses**" means all licenses, contracts or other agreements, whether written or oral, naming Grantor as licensor or licensee and providing for the grant of any right concerning any Trademark, together with any goodwill connected with and symbolized by any such trademark licenses, contracts or agreements and the right to prepare for sale or lease and sell or lease any and all Inventory now or hereafter owned by Grantor and now or hereafter covered by such licenses.

"**Trademarks**" means all domestic and foreign trademarks, service marks, collective marks, certification marks, trade names, business names, d/b/a's, Internet domain names, trade styles, designs, logos and other source or business identifiers and all general intangibles of like nature, now or hereafter owned, adopted, acquired or used by Grantor, all applications, registrations and recordings thereof (including, without limitation, applications, registrations and recordings in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state thereof or any other country or any political subdivision thereof), all reissues, extensions or renewals thereof, together with all product lines and goodwill of the business symbolized by such marks and all customer lists, formulae and other Records of Grantor relating to the distribution of products and services in connection with which any of such marks are used, all rights corresponding thereto throughout the world, the right to recover for all past, present and future infringements thereof, and all other rights of any kind whatsoever accruing thereunder or pertaining thereto.

SECTION 2. Pledge and Grant of Security Interest. As collateral security for the payment, performance and observance of all of the Guaranteed Obligations, Grantor hereby pledges and collaterally assigns to the Holders, and grants to the Holders a continuing security interest in, all personal property and Fixtures of Grantor, wherever located and whether now or hereafter existing and whether now owned or hereafter acquired, of every kind and description, tangible or intangible, including, without limitation, the following (all being collectively referred to herein as the "**Collateral**"):

(a) all Accounts;

(b) all Chattel Paper (whether tangible or electronic);

(c) all Commercial Tort Claims;

(d) all Deposit Accounts, all cash, and all other property from time to time deposited therein or otherwise credited thereto and the monies and property in the possession or under the control of the Holders or any affiliate, representative, agent or correspondent of the Holders;

(e) all Documents;

(f) all General Intangibles;

(g) all Goods, including, without limitation, all Equipment, Fixtures and Inventory;

(h) all Instruments (including, without limitation, all Promissory Notes);

(i) all Intellectual Property, and all Licenses;

(j) all Investment Property;

(k) all Letter-of-Credit Rights;

(l) all Pledged Shares;

(m) all Supporting Obligations;

(n) all other tangible and intangible personal property of Grantor (whether or not subject to the Code), including, without limitation, all bank and other accounts and all cash and all investments therein, all proceeds, products, offspring, accessions, rents, profits, income, benefits, substitutions and replacements of and to any of the property of Grantor described in the preceding clauses of this Section 2 (including, without limitation, any proceeds of insurance thereon and all causes of action, claims and warranties now or hereafter held by Grantor in respect of any of the items listed above), and all books, correspondence, files and other Records, including, without limitation, all tapes, disks, cards, Software, data, computer programs, and instructions for execution by a computer processor (including the code in such Software, computer programs, or instructions) in the possession or under the control of Grantor or any other Person from time to time acting for Grantor that at any time evidence or contain information relating to any of the property described in the preceding clauses of this Section 2 or are otherwise necessary or helpful in the collection or realization thereof; and

(o) all Proceeds, including all Cash Proceeds and Noncash Proceeds, and products of any and all of the foregoing Collateral;

in each case, howsoever Grantor's interest therein may arise or appear (whether by ownership, security interest, claim or otherwise).

SECTION 3. Security for Guaranteed Obligations. The security interest created hereby in the Collateral constitutes continuing collateral security for all of the following obligations, whether now existing or hereafter incurred (the "**Guaranteed Obligations**"):

(a) the prompt payment by Grantor, as and when due and payable (on demand, by mandatory prepayment, by scheduled maturity or otherwise), of all amounts from time to time owing by it under the Guaranty, whether for principal, interest, fees or otherwise (including, without limitation, amounts that but for the operation of Section 362 of the Bankruptcy Code would become due), and all amounts from time to time owing by the Grantor in respect of the other Loan Documents, in each case, of every kind, nature and description, direct and indirect, secured and unsecured, joint and several, absolute or contingent, due or to become due, now or hereafter arising and whether now existing or hereafter arising; and

(b) the due performance and observance by Grantor of all of its other obligations from time to time existing in respect of the Guaranty and all other Loan Documents to which it is a party.

Without limiting the generality of the foregoing, this Agreement secures the payment of all amounts that constitute part of the Guaranteed Obligations and would be owed by Grantor to the Holders under the Guaranty and the other Loan Documents but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving a Grantor.

SECTION 4. Representations and Warranties. Grantor represents and warrants as follows:

(a) Grantor (i) is a corporation, duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation as set forth on the first page hereof, and (ii) has all requisite power and authority to conduct its business as now conducted and as presently contemplated and to execute and deliver this Agreement and to consummate the transactions contemplated hereby.

(b) There is no pending or, to the knowledge of Grantor, threatened action, suit, proceeding or claim before any court or other Governmental Authority or any arbitrator, or any order, judgment or award by any court or other Governmental Authority or arbitrator, that may adversely affect the grant by Grantor, or the perfection, of the security interest purported to be created hereby in the Collateral, or the exercise by Holders of any rights or remedies hereunder.

(c) Grantor and will be at all times the sole and exclusive owner of the Collateral free and clear of any Lien, except for (i) the security interest created by this Agreement, (ii) the security interests and other encumbrances permitted by the Debentures and (iii) sales of assets permitted by the terms of the Guaranty and the Debentures. No effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording or filing office, except (x) such as may have been filed in favor of the Holders relating to this Agreement, and (y) such as may have been filed to perfect or protect any security interest or encumbrance permitted by the Debentures.

(d) The exercise by and Holder of any of its rights and remedies hereunder will not contravene law or any contractual restriction binding on or otherwise affecting Grantor or any of its properties and will not result in or require the creation of any Lien, security interest or other charge or encumbrance upon or with respect to any of its properties.

(e) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or any other Person, is required for (i) the grant by Grantor, or the perfection, of the security interest purported to be created hereby in the Collateral or (ii) the exercise by any Holder of any of its rights and remedies hereunder, except (A) for the filing under the Uniform Commercial Code as in effect in the applicable jurisdiction of the financing statements described in **Schedule III** hereto.

SECTION 5. Covenants as to the Collateral. So long as any of the Guaranteed Obligations shall remain outstanding and the Guaranty and the Debentures shall not have terminated, unless each Holder shall otherwise consent in writing:

(a) Further Assurances. Grantor will at its expense, at any time and from time to time, promptly execute and deliver all further instruments and documents and take all further action that may be necessary or desirable or that the Holders may request in order (i) to perfect and protect the security interest purported to be created hereby; (ii) to enable the Holders to exercise and enforce their rights and remedies hereunder in respect of the Collateral; or (iii) otherwise to effect the purposes of this Agreement.

(b) Transfers and Other Liens.

(i) Grantor will not sell, assign (by operation of law or otherwise), lease, exchange or otherwise transfer or dispose of any of the Collateral except to the extent expressly permitted under the terms of the Guaranty, except that so long as no Event of Default or a Guaranty Default shall have occurred and be continuing, the Grantor shall be permitted (x) to sell Inventory in the ordinary course of business and (y) to collect upon and enforce any judgment in the 777 Patent Litigation so long as all proceeds of any judgment in the 777 Patent Litigation shall be applied as required by the Loan Documents.

(ii) Grantor will not create or suffer to exist any Lien, security interest or other charge or encumbrance upon or with respect to any Collateral, except for (A) the Liens and security interest created by this Agreement and the other Loan Documents and (B) the Liens, security interests and other encumbrances permitted by the Guaranty and the Debentures.

(c) Inspection and Reporting. Grantor shall permit the Holders or any agents or representatives thereof or such professionals or other Persons as the Holders may designate to examine and inspect the books and records of Grantor and take copies and extracts therefrom.

SECTION 6. Additional Provisions Concerning the Collateral.

(a) Grantor hereby authorizes the Holders to file, without the signature of Grantor where permitted by law, one or more financing or continuation statements, and amendments thereto, relating to the Collateral.

(b) Grantor hereby irrevocably appoints each Holder as its attorney-in-fact and proxy, with full authority in the place and stead of Grantor and in the name of Grantor or otherwise, from time to time in such Holder's discretion upon the occurrence and during the continuance of any breach of or default under any Loan Document, to take any action and to execute any instrument which such Holder may deem necessary or advisable to accomplish the purposes of this Agreement (including, without limitation, (i) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any Collateral, and (ii) to file any claims or take any action or institute any proceedings which such Holder may deem necessary or desirable for the collection of any Collateral or otherwise to enforce the rights of such Holder with respect to any Collateral. This power is coupled with an interest and is irrevocable until all of the Guaranteed Obligations are paid in full and the Guaranty and the Debentures have been terminated.

(c) If Grantor fails to perform any agreement contained herein, each Holder may itself perform, or cause performance of, such agreement or obligation, in the name of Grantor or such Holder, and the expenses of such Holder incurred in connection therewith shall be payable by Grantor pursuant to Section 8 hereof and shall be secured by the Collateral.

(d) The powers conferred on the Holders hereunder are solely to protect their interest in the Collateral and shall not impose any duty upon them to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, no Holder shall have any duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.

SECTION 7. Voting Rights, Dividends, Etc. in Respect of the Pledged Interests.

(a) So long as no Event of Default or a Guaranty Default shall have occurred and be continuing:

(i) Grantor may exercise any and all voting and other consensual rights pertaining to any Pledged Interests for any purpose not inconsistent with the terms of this Agreement or the other Loan Documents;

(ii)Grantor may receive and retain any and all dividends, interest payments or other distributions paid in respect of the Pledged Interests to the extent permitted by the Loan Documents; provided, however, that any and all (A) dividends and interest paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of or in exchange for, any Pledged Interests, (B) dividends and other distributions paid or payable in cash in respect of any Pledged Interests in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in surplus, and (C) cash paid, payable or otherwise distributed in redemption of, or in exchange for, any Pledged Interests, together with any dividend, interest payment or other distribution which at the time of such dividend, interest payment or other distribution was not permitted by the Loan Documents, shall be, and shall forthwith be delivered to the Holders to hold as, Pledged Interests and shall, if received by Grantor or any of its affiliates on behalf of Grantor, be received in trust for the benefit of the Holders, shall be segregated from the other property or funds of Grantor or such affiliate, and shall be forthwith delivered to the Holders in the exact form received with any necessary endorsement and/or appropriate stock powers duly executed in blank, to be held by the Holders as Pledged Interests and as further collateral security for the Secured Obligations; and

(iii) the Holders will execute and deliver (or cause to be executed and delivered) to Grantor all such proxies and other instruments as Grantor may reasonably request for the purpose of enabling Grantor to exercise the voting and other rights which it is entitled to exercise pursuant to Section 7(a)(i) hereof and to receive the dividends, interest and/or other distributions which it is authorized to receive and retain pursuant to Section 7(a)(ii) hereof.

(b) Upon the occurrence and during the continuance of an Event of Default or a Guaranty Default:

(i) all rights of Grantor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 7(a)(i) hereof, and to receive the dividends, distributions, interest and other payments which it would otherwise be authorized to receive and retain pursuant to Section 7(a)(ii) hereof, shall cease, and all such rights shall thereupon become vested in the Holders, who shall thereupon have the sole right to exercise such voting and other consensual rights and to receive and hold as Pledged Interests such dividends and interest payments;

(ii) without limiting the generality of the foregoing, the Holders may at their option exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any of the Pledged Interests as if it were the absolute owner thereof, including, without limitation, the right to exchange, in its discretion, any and all of the Pledged Interests upon the merger, consolidation, reorganization, recapitalization or other adjustment of the Pledged Issuer, or upon the exercise by the Pledged Issuer of any right, privilege or option pertaining to any Pledged Interests, and, in connection therewith, to deposit and deliver any and all of the Pledged Interests with any committee, depository, transfer agent, registrar or other designated agent upon such terms and conditions as it may determine; and

(iii) all dividends, distributions, interest and other payments which are received by Grantor contrary to the provisions of Section 7(b)(i) hereof shall be received in trust for the benefit of the Holders, shall be segregated from other funds of Grantor, and shall be forthwith paid over to the Holders as Pledged Interests in the exact form received with any necessary endorsement and/or appropriate stock powers duly executed in blank, to be held by the Holders as Pledged Interests and as further collateral security for the Secured Obligations.

SECTION 8. Remedies Upon Default. If any Event of Default or Guaranty Default shall have occurred and be continuing:

(a) The Holders may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to them, all of the rights and remedies of a secured party upon default under the Code (whether or not the Code applies to the affected Collateral), and also may (i) take absolute control of the Collateral, including without limitation, transfer into the Holders' name or into the name of their nominee or nominees (to the extent the Holders have not theretofore done so) and thereafter receive, for their benefit, all payments made thereon, give all consents, waivers and ratifications in respect thereof and otherwise act with respect thereto as though they were the outright owner thereof, (ii) require Grantor to, and Grantor hereby agrees that it will at its expense and upon request of any Holder forthwith, assemble all or part of the Collateral as directed by such Holder and make it available to such Holder at a place or places to be designated by such Holder which is reasonably convenient to both parties, and any Holder may enter into and occupy any premises owned or leased by Grantor where the Collateral of any part thereof is located or assembled for a reasonable period in order to effectuate the Holders' rights and remedies hereunder or under law, without obligation to Grantor in respect of such occupation, and (iii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any Holder's offices or elsewhere, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as the Holders may deem commercially reasonable. Grantor agrees that, to the extent notice of sale shall be required by law, at least 10 days' notice to Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Holders shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Holders may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Grantor hereby waives any claims against the Holders arising by reason of the fact that the price at which the Collateral may have been sold at a private sale was less than the price which might have been obtained at a public sale or was less than the aggregate amount of the Guaranteed Obligations, even if the Holders accept the first offer received and does not offer the Collateral to more than one offeree and waives all rights which Grantor may have to require that all or any part of the Collateral be marshalled upon any sale (public or private) thereof.

(b) Any cash held by any Holder as Collateral and all cash proceeds received by the Holders in respect of any sale of or collection from, or other realization upon, all or any part the Collateral may, in the discretion of the Holders, be held by the Holders as collateral for, and/or then or at any time thereafter applied in whole or in part by the Holders against, all or any part of the Guaranteed Obligations.

SECTION 9. Indemnity and Expenses.

(a) Grantor agrees to indemnify and hold each Holder harmless from and against any and all claims, damages, losses, liabilities, obligations, penalties, costs or expenses (including, without limitation, legal fees and disbursements of each Holder's counsel) to the extent that they arise out of or otherwise result from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities resulting solely and directly from such Holder's gross negligence or willful misconduct as determined by a final judgment of a court of competent jurisdiction.

(b) Grantor agrees that upon demand Grantor will pay to each Holder the amount of any and all costs and expenses, including the reasonable fees and disbursements of such Holder's counsel and of any experts and agents, which such Holder may incur in connection with (i) the preparation, negotiation, execution, delivery, recordation, administration, amendment, waiver or other modification or termination of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any Collateral, (iii) the exercise or enforcement of any of the rights of any Holder hereunder, or (iv) the failure by Grantor to perform or observe any of the provisions hereof.

SECTION 10. Notices, Etc. All notices and other communications provided for hereunder shall be in writing and shall be mailed (by certified mail, postage prepaid and return receipt requested), telecopied or delivered by hand, Federal Express or other reputable overnight courier, if to Grantor, to it in at the address set forth in the Guaranty, or if to any Holder, to it at its address set forth in the Debentures; or as to such Person at such other address as shall be designated by such Person in a written notice to such other Persons complying as to delivery with the terms of this Section 10. All such notices and other communications shall be effective (a) if mailed, when received or three (3) days after deposited in the mails, whichever occurs first; (b) if telecopied, when transmitted and confirmation is received; or (c) if delivered by hand, Federal Express or other reputable overnight courier, upon delivery.

SECTION 11. Miscellaneous.

(a) No amendment of any provision of this Agreement shall be effective unless it is in writing and signed by Grantor and each Holder, and no waiver of any provision of this Agreement, and no consent to any departure by Grantor therefrom, shall be effective unless it is in writing and signed by each Holder, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) No failure on the part of the Holders to exercise, and no delay in exercising, any right hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of the Holders provided herein and in the other Loan Documents are cumulative and are in addition to, and not exclusive of, any rights or remedies provided by law. The rights of the Holders under any Loan Document against any party thereto are not conditional or contingent on any attempt any Holder to exercise any of its rights under any other Loan Document against such party or against any other Person.

(c) Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

(d) This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the payment in full of the Guaranteed Obligations and the termination of the Guaranty and the Debentures, and (ii) be binding on Grantor and its successors and assigns and shall inure, together with all rights and remedies of the Holders hereunder, to the benefit of the Holders and their permitted successors, transferees and assigns. Without limiting the generality of clause (ii) of the immediately preceding sentence, each Holder may assign or otherwise transfer its rights under this Agreement, the Guaranty and any other Loan Document, to any other Person and such other Person shall thereupon become vested with all of the benefits in respect thereof granted to such Holder herein or otherwise. None of the rights or obligations of Grantor hereunder may be assigned or otherwise transferred without the prior written consent of the Holders, and any such assignment or transfer shall be null and void.

(e) Upon the satisfaction in full of the Guaranteed Obligations and the termination of the Guaranty and the Debentures, (i) this Agreement and the security interests created hereby shall terminate and all rights to the Collateral shall revert to Grantor, and (ii) the Holders will, upon Grantor's request and at Grantor's expense promptly, (A) return to Grantor such of the Collateral as shall not have been sold or otherwise disposed of or applied pursuant to the terms hereof, and (B) execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence such termination, all without any representation, warranty or recourse whatsoever.

(f) Any and all obligations on the part any Holder under this Agreement shall constitute the several (and not joint) obligations of each Holder.

(g) This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York, except as required by mandatory provisions of law and except to the extent that the validity and perfection or the perfection and effect of perfection or non-perfection of the security interest created hereby or remedies hereunder, in respect of any particular Collateral are governed by the law of a jurisdiction other than the State of New York.

(h) This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one in the same agreement.

SECTION 12. Submission to Jurisdiction; Waivers. Grantor hereby irrevocably and unconditionally:

(a) Submits for itself and its property in any action, suit or proceeding relating to this Agreement, the Guaranty or any other Loan Document to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts thereof;

(b) Agrees that any such action, suit or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action, suit or proceeding in any such court or that such action, suit or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) Irrevocably consents to the service of any and all process in any such action, suit or proceeding by the mailing of copies of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to Grantor, at its address set forth in Section 10 hereof or at such other address of which the Holders shall have been notified pursuant thereto;

(d) To the extent that Grantor has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, Grantor hereby irrevocably waives such immunity in respect of its obligations under this Agreement;

(e) Agrees that nothing herein shall affect the right of the Holders to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(f) Waives any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

SECTION 13. Jury Trial Waiver. THE GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM CONCERNING THIS PLEDGE AGREEMENT, ANY LOAN DOCUMENT OR ANY AMENDMENT, MODIFICATION OR OTHER DOCUMENT NOW OR HEREAFTER DELIVERED IN CONNECTION WITH ANY OF THE FOREGOING, AND AGREES THAT ANY SUCH ACTION, PROCEEDING OR COUNTERCLAIM SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

[Signature Page Follows]

IN WITNESS WHEREOF, Grantor has caused this Agreement to be executed and delivered by its officer thereunto duly authorized as of the date first above written.

GRANTOR:

DIOMED, INC.

By: _____

Name:

Title:

Address: _____

_____

_____

Attention: _____

Telephone: _____

Facsimile: _____

HOLDERS:

IROQUOIS CAPITAL LP

By: _____

Name:

Title:

Address: _____

_____

_____

Attention: _____

Telephone: _____

Facsimile: _____

CRANSHIRE CAPITAL, L.P.

By: _____

Name:

Title:

Address: _____

_____

_____

Attention: _____

Telephone: _____

Facsimile: _____

PORTSIDE GROWTH AND OPPORTUNITY FUND

By: _____

Name:

Title:

Address: _____

_____

_____

Attention: _____

Telephone: _____

Facsimile: _____

ROCKMORE INVESTMENT MASTER FUND LTD.

By: _____

Name:

Title:

Address: _____

_____

_____

Attention: _____

Telephone: _____

Facsimile: _____

SCHEDULE I

[Intellectual Property]

SCHEDULE II

Name of Pledged Issuer	Number of Shares	Percentage of Outstanding Shares	Class	Certificate Number
Diomed, Inc.	40,000,000	100 %	Common	1
	3,500,000		Preferred	P-1
Diomed Acquisition Corporation	1,000	100 %	Common	1
Diomed PDT, Inc.	100	100 %	Common	1

SCHEDULE III

GRANTOR	FILING OFFICE
Diomed, Inc.	Delaware

PREFERRED STOCKHOLDER

AGREEMENT AND CONSENT

This Agreement and Consent is made as of the 28th day of September, 2007, between Diomed Holdings, Inc. (the "Company"), a Delaware corporation, and the undersigned (the "Holder"), who is the registered holder of shares of Series 2006 Preferred Stock (the "Preferred Stock) issued by the Company pursuant to the Securities Purchase Agreement, dated as of July 27, 2006, between the Company and the Purchasers of Preferred Stock named therein (the "2006 Purchase Agreement"). Capitalized terms used below with definition shall have the respective meanings given them in the Company's Certificate of Incorporation, as amended through the date hereof (as so amended, the "Certificate of Incorporation").

The Company proposes to enter into a Loan Agreement with Hercules Technology Growth Capital, Inc. or an affiliate thereof ("Hercules") pursuant to which Hercules will loan to the Company on a secured basis up to the aggregate principal amount of $10,000,000 on the terms and conditions described in the Term Sheet annexed hereto as Exhibit A and as the Company and Hercules shall agree in the definitive documentation related thereto (the "Financing").

The Company further proposes to amend certain terms and provisions of its outstanding Variable Rate Convertible Debentures due October 2008 (the "Debentures") pursuant to which the holders of such Debentures will consent to the Financing and such Debentures will become secured obligations of the Company on the terms and conditions described in the Term Sheet annexed hereto as Exhibit B and as the Company and the holders of the Debentures shall agree (subject to the approval of Hercules) in the definitive documentation related thereto (the "Refinancing").

For itself and on behalf of all subsequent holders of the Preferred Stock held by it, and in consideration of the mutual promises set forth in this Agreement and Consent, the Holder and the Company hereby agree as follows:

1. In order to induce the Holder to provide its consent as provided in this Agreement and Consent, the Company hereby agrees that at such time as the Holder exercises its right to convert any shares of Preferred Stock under Section 4 of Section 2A of ARTICLE FIFTH of the Certificate of Incorporation, then, in addition to such shares as may be issuable under the terms and conditions of such Section, the Company will further issue and deliver such additional shares of Common Stock as the Holder would be entitled to receive if the Exchange Rate were $0.70.

2. If the Holder holds warrants issued by the Company pursuant to the Securities Purchase Agreement, dated September 30, 2005, between the Company and the purchasers named therein by operation of the anti-dilution provisions contained therein, then, as a result of the Financing and Refinancing, the exercise price of such warrants shall be reduced to $1.75 and the number of underlying shares of common stock will be increased accordingly.

3. In connection with the Financing and the Refinancing, and notwithstanding anything to the contrary in the 2006 Purchase Agreement or the Company's Certificate of Incorporation, the Holder hereby irrevocably:

a. consents to the Financing and the Refinancing, including, without limitation, (i) the incurrence by the Company of indebtedness pursuant to the Financing and Refinancing and to the grant of any and all security interests by the Company and its subsidiaries as are required to be granted in their assets pursuant to the Financing and the Refinancing and (ii) the repayment and prepayment of the indebtedness arising out of the Financing and Refinancing as required or permitted under the terms and conditions of the Financing and Refinancing;

agrees that the issuance of the warrants proposed to be issued to Hercules pursuant to the terms of the Financing and the change in conversion price of the Debentures pursuant to the terms of the Refinancing (and the equivalent change to the warrants issued to those persons who purchased the Debentures) will not result in any antidilution adjustment to the Preferred Stock and further waives

b. (i) any and all rights and benefits which might otherwise arise under the Company's Certificate of Incorporation or the 2006 Purchase Agreement pursuant to an antidilution adjustment as a result of the Financing or Refinancing and (ii) any right to any notice of any change in the conversion or exercise price of any other outstanding security of the Company arising from the Financing or Refinancing beyond the notice provided by this Agreement and Consent;

agrees that notwithstanding the consideration to be delivered by the Company pursuant to Section 2 below, the rights of the Holder to

c. vote the shares of the Preferred Stock owned by it pursuant to Section 2(a) of Section 2A of ARTICLE FIFTH of the Certificate of Incorporation shall be determined on the basis that the Exchange Rate remains $1.15;

agrees that notwithstanding the terms and conditions of this Agreement and Consent, the Financing and the Refinancing, no Dividend

d. Commencement Event (as defined in Section 1 of Section 2A of the Certificate of Incorporation) has occurred and no Dividends have become due and payable;

agrees that neither the Financing nor the Refinancing shall be deemed to be a "Subsequent Financing" as defined in the 2006

e. Purchase Agreement and therefore that the 2006 Purchase Agreement does not afford to the Holder any participation rights in the Financing or the Refinancing; and

f. consents to the issuance of the warrants proposed to be issued to Hercules pursuant to the terms of the Financing for purposes of Section 4.27(j) of the 2006 Purchase Agreement.

4. This Agreement and Consent shall be effective simultaneously with the closing of the Financing and Refinancing, provided that it shall at such time have been executed and delivered to the Company by the holders of Preferred Stock constituting not less than 65% of the Preferred Stock issued and outstanding on September 10, 2007.

5. All other terms and conditions of the Preferred Stock and the 2006 Purchase Agreement remain in full force and effect.

[Signature Page Follows}

IN WITNESS WHEREOF, the undersigned have signed this Agreement and Consent as of the date and year set forth above.

NAME OF INVESTOR: _____

NUMBER SHARES PREFERRED STOCK HELD: _____

By: _____

(Signature of authorized person above)

Name and Title: _____

DIOMED HOLDINGS, INC.

By: _____

David Swank, Chief Financial Officer

[Signature Page to Preferred Stockholder
Agreement and Consent]

EXHIBIT A

Below is a summary of the principal business considerations related to our growth capital financing loan proposal.

Commitment Amount:	**$10,000,000**	
Interest Rate (1)	Prime + 3.20	%
Deferred Interest Charge (2)	9.50	%

(1) Wall Street Journal Prime, which surveys large US banks and publishes the consensus prime rate. As of the date of this Document, Prime is 8.25%.

(2) One time payment due at maturity and calculated against funds borrowed.

Lender: Hercules Technology Growth Capital, Inc. and any affiliate or transferee.*('Hercules" or 'Lender").*

Borrower: Diomed Holdings, Inc. and its subsidiaries. *('Diomed" or 'Borrower").*

Term Sheet Expiration: September 26, 2007.

Loan Closing: Best efforts to close by October 2, 2007.

Availability Period: The commitment is available as follows:

Tranche A: $6.0 million of Loan Commitment is funded at closing.

Tranche B: Remaining $4.0 million will be available at Borrower's option beginning January 31, 2008 and will remain available through March 30, 2008.

Use of Proceeds: The proceeds of the Loan will be used for general corporate purposes.

Interest-only Period: Through June 1, 2008.

Amortization: Beginning on July 1, 2008, Borrower shall repay Principal on a schedule comprised of twenty-four equal monthly principal and interest payments.

Maturity: July 1, 2010.

Collateral: The Loan will be secured by a perfected first position lien on all of the borrower's assets, including Intellectual Property ("IP"). This lien will allow for licensing in the normal course of business.

Warrant: A warrant (the "Warrant") will be issued by Borrower to Lender to purchase $100,000 worth of shares of common stock at an Exercise Price of $0.70.

Option to invest: Borrower shall grant to Lender the option to invest up to $1.0 million in a subsequent institutional equity financing on the same terms, conditions, and pricing offered to the investors in such subsequent

equity financing. This option to invest does not apply to equity transactions with strategic partners or regular shelf registered offerings.

Success Fee:	Borrower shall remit the following cash payments to Lender: 1) $200,000 at Loan Closing. 2) $900,000 on June 30, 2008 3) Borrower shall remit a cash payment to Lender in an amount equal to 1.00% of any gross consideration paid for the acquisition of the business of Diomed Holdings and its operating subsidiaries.
Financial Covenants:	No financial ratio covenants.
Reporting Requirements:	Borrower will furnish to Lender monthly and quarterly financial statements, annual audited financial statements and all materials provided to the shareholders along with other financial information Lender reasonably requests or generally provided to other Holders of the common stock.
Expenses:	Borrower shall pay the invoiced expenses, including UCC searches, filing costs, and other miscellaneous expenses, and reasonable fees of counsel (in-house and outside) applicable to drafting, negotiating and/or finalizing the Loan.
Commitment Fee:	A Commitment Fee of 2.0% of the Commitment Amount is required in order for Lender to commence the due diligence process. In the event that the transaction is not approved, the Commitment Fee shall be returned in its entirety to Borrower (minus due diligence expenses). In the event of approval, the Commitment Fee will be applied in its entirety as a Facility Fee and towards the Lender's non-legal transaction costs and due diligence expenses {Paid}.

The information contained herein is confidential and may not be released by you or your representative in written or verbal form without the prior written consent of the Lender

In consideration of the time, cost and expense devoted, and to be devoted, by the Lender in connection with the transaction contemplated by this proposal, Borrower agrees that until Loan Closing (the "Exclusive Period") it will not (a) solicit or entertain any proposal, (b) negotiate with any other person, or (c) provide any information with respect to Borrower to any person who might be expected to propose alternate financing, or Commitment Fee will be deemed earned in full.

The proposed terms and conditions are provided for discussion purposes only and do not represent an agreement or commitment to lend, provided however that the terms entitled and associated with "Expenses", "Commitment Fee" and "Exclusive Period" shall be binding obligations of the parties hereto. The actual terms and conditions upon which the Lender may agree to extend credit to the Borrower are subject to satisfactory completion of due diligence, internal credit approvals, satisfactory review of documentation and such other terms and conditions as may be determined by Lender and which would be contained in definitive legal documents for the loan contemplated hereby.

If the basic terms are acceptable, please fax an executed copy of this letter to 866-468-8916 and wire payment of the Commitment Fee. **This offer will expire at 5PM (ET) on September 26, 2007** unless accepted by Borrower or extended by Lender. We look forward to your response. Please feel free to call us at 617-261-6553 (work) or 617-877-9663 (cell).

We appreciate your consideration of this proposal. We look forward to the opportunity to work together and establish a long-term strategic relationship with you and Diomed, Inc.

Sincerely,

Parag Shah
Sr. Managing Director & Group Head, Life Sciences
Hercules Technology Growth Capital, Inc.

R. Bryan Jadot
Principal, Life Sciences
Hercules Technology Growth Capital, Inc.

AGREED AND ACCEPTED this _____ day of _____2007

Diomed, Inc.

By: _____
Name: _____
Title:

The information contained herein is confidential and may not be released by you or your representative in written or verbal form without the prior written consent of the Lender

EXHIBIT B

Diomed Holdings, Inc.
Restructuring of Variable Rate Convertible Debentures

Issuer:	Diomed Holdings, Inc.
Issue:	$7 Million Variable Rate Convertible Debentures due October 2008 (the "Debentures"), of which approximately $3.7 million are issued and outstanding.
Existing Terms:	Except as modified by definitive documentation and further to this term sheet, all original terms of the Debentures and associated documents shall remain in effect.
Conversion Price:	The Conversion Price will be $0.70 per share.
Coupon:	The coupon will be the greater of (i) 6-month LIBOR plus 5.00% and (ii) 10%, per annum on the unpaid/ unconverted principal balance payable quarterly in cash.
Rank:	The Debentures shall be secured obligations of the Company, subordinate to the new debentures issued by the Company in favor of Hercules.
Investor(s) Trading Restriction:	The Investor(s) and its affiliates will agree not to trade in the Company's Common Stock until the earlier of (i) the announcement of the Closing of this transaction, or (ii) termination of discussions between the Investor(s) and the Company regarding this transaction.
Expense Reimbursement:	The Company shall pay up to $5,000 to the Investor(s) (individually) for outside legal expenses reasonably incurred in relation to documentation of this restructuring.
Documentation*:*	The definitive documentation shall contain such additional and supplementary provisions, including without limitation representations, warranties, covenants, agreements, payments, options and remedies, as are appropriate to preserve and protect economic benefits intended to be conveyed to the Company and to the Investor(s) pursuant hereto.

Diomed Holdings Completes $10 Million Term Loan

Monetizes '777 Patent Infringement Award

ANDOVER, Mass.--(BUSINESS WIRE)—Oct. 1, 2007--Diomed Holdings, Inc. (AMEX: DIO), a leading developer and marketer of minimally invasive medical technologies, including its patented EndoVenous Laser Treatment (EVLT(R)) for varicose veins, today announced that it has entered into a $10 million senior secured term loan with Hercules Technology Growth Capital, Inc., effectively monetizing the damages award arising out of its '777 patent litigation.

Under the terms of the $10 million senior secured term loan, $6 million was funded at closing on September 28, 2007, with the remaining $4 million to be funded at Diomed's option, between January 31, 2008 and March 30, 2008. The debt will bear interest at prime (currently 7.75%) plus 3.2%. No principal payments are due under the term loan until July 1, 2008, at which time 24 monthly installments of principal and interest will be paid until maturity on July 1, 2010. The loan is secured by the $14.7 million patent infringement judgment awarded to Diomed against AngioDynamics, Inc. and Vascular Solutions, Inc. in May 2007, as well as the assets of Diomed and its subsidiaries. In addition, Diomed has issued a warrant to Hercules to acquire approximately 87,000 shares of its common stock with an exercise price of $0.70 per share.

"We are extremely pleased to complete this financing transaction with Hercules," remarked David B. Swank, Chief Financial Officer of Diomed Holdings, Inc. "By monetizing the award from our '777 patent infringement actions in the form of a term loan, we have effectively accelerated the receipt of the award and converted it to available cash."

"The completion of our latest financing transaction supports our strategy to drive market share growth in the endovenous laser treatment of varicose veins," commented James A. Wylie, Diomed's President and Chief Executive Officer. "With strong assets that include proven intellectual property, leading edge technology, a comprehensive product portfolio, as well as a strong capital structure, we believe we have all the components necessary to continue to accelerate growth of both sales and market share."

In connection with the completion of the secured term loan, Diomed negotiated and received consents from the holders of its outstanding convertible debentures due 2008, as well as from the holders of outstanding shares of its exchangable preferred stock issued in 2006. In exchange for their consents, the debenture holders received a junior security interest in the assets of Diomed and its subsidiaries, and the preferred shareholders will receive additional common stock issuable on future conversions of their preferred shares. By operation of existing contractual rights, holders of the outstanding convertible debentures, as well as the holders of certain outstanding warrants, will become entitled to acquire additional shares of Diomed's common stock on the conversion or

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exercise of those securities. In the aggregate, the additional shares of Diomed's common stock that may become issuable as a result of the loan transaction and the negotiation of the required consents approximate 14% of Diomed's shares outstanding on a fully diluted basis.

Mr. Swank further commented, "Although we would have preferred to avoid any dilution to our current stockholders, we believe that dilution from the current transaction is significantly less than what we were likely to incur in an outright sale of common shares in a PIPE or similar equity financing."

Complete details regarding the secured term loan and the terms on which Diomed obtained the required consents of the holders of its outstanding convertible debentures and exchangeable preferred shares will be included in a Form 8-K being filed with the Securities and Exchange Commission on October 1, 2007.

About Diomed

Diomed develops and commercializes minimal and micro-invasive medical procedures that use its proprietary laser technologies and disposable products. Diomed's EVLT(R) laser vein ablation procedure is used in varicose vein treatments. Diomed also provides photodynamic therapy (PDT) for use in cancer treatments, and dental and general surgical applications. The EVLT(R) procedure and the Company's related products were cleared by the United States FDA in January of 2002. Along with lasers and single-use procedure kits for its EVLT(R) laser vein treatment, the Company provides its customers with state of the art physician training and practice development support. Additional information is available on the Company's website: www.evlt.com.

EVLT(R) is a registered trademark of Diomed Inc., Andover, MA.

Safe Harbor

Safe Harbor statements under the Private Securities Litigation Reform Act of 1995: Statements in this news release looking forward in time involve risks and uncertainties, including the risks associated with trends in the products markets, reliance on third party distributors in various countries outside the United States, reoccurring orders under OEM contracts, market acceptance risks, technical development risks and other risk factors. These statements relate to our future plans, objectives, expectations and intentions. These statements may be identified by the use of words such as "may," "will," "should," "potential," "expects," "anticipates," "intends," "plans," "believes" and similar expressions. These statements are based on our current beliefs, expectations and assumptions and are subject to a number of risks and uncertainties. Our actual results could differ materially from those discussed in these statements. Our 2006 Annual Report on Form SEC 10-KSB (the "Annual Report") contains a

discussion of certain of the risks and uncertainties that affect our business. We refer you to the "Risk Factors" on pages 19 through 34 of the Annual Report for a discussion of certain risks, including those relating to our business as a medical device company without a significant operating record and with operating losses, our risks relating to our commercialization of our current and future products and applications and risks relating to our common stock and its market value. Diomed disclaims any obligation or duty to update or correct any of its forward-looking statements.

SOURCE: Diomed Holdings, Inc.

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