FORM S-4

Registration of securities issued in business combination transactions

Filing Date: **1999-09-10**
SEC Accession No. 0000950123-99-008364

FILER

DJ ORTHOPEDICS LLC
CIK:**1094052**| IRS No.: **522165554** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **S-4** | Act: **33** | File No.: **333-86835** | Film No.: **99708858**

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Business Address
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7607271280

DJ ORTHOPEDICS CAPITAL CORP
CIK:**1094051**| IRS No.: **522157537** | Fiscal Year End: **1231**
Type: **S-4** | Act: **33** | File No.: **333-86835-01** | Film No.: **99708859**

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DONJOY LLC
CIK:**1094053**| IRS No.: **330848317** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **S-4** | Act: **33** | File No.: **333-86835-02** | Film No.: **99708860**

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 10, 1999

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

DJ ORTHOPEDICS, LLC
(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

<TABLE>
<S> <C> <C>

DELAWARE	3842	52-2165554
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

</TABLE>

DJ ORTHOPEDICS CAPITAL CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

<TABLE>
<S> <C> <C>

DELAWARE	3842	52-2157537
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

</TABLE>

DONJOY, L.L.C.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

<TABLE>
<S> <C> <C>

DELAWARE	3842	33-0848317
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

</TABLE>

2985 SCOTT STREET
VISTA, CALIFORNIA 92083
(800) 336-5690
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANTS' PRINCIPAL EXECUTIVE OFFICES)

LESLIE H. CROSS
PRESIDENT AND CHIEF EXECUTIVE OFFICER
DJ ORTHOPEDICS, LLC
2985 SCOTT STREET
VISTA, CALIFORNIA 92083
(800) 336-5690
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE OF PROCESS)

WITH A COPY TO:
JAMES M. LURIE, ESQ.
O'SULLIVAN GRAEV & KARABELL, LLP
30 ROCKEFELLER PLAZA
NEW YORK, NEW YORK 10112
(212) 408-2400

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: [ ]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(d)

under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

CALCULATION OF REGISTRATION FEE

<table>
<tr><th>TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED</th><th>AMOUNT TO BE REGISTERED</th><th>PROPOSED MAXIMUM OFFERING PRICE PER NOTE</th><th>PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)</th><th>AMOUNT OF REGISTRATION FEE</th></tr>
<tr><td>12 5/8% Senior Subordinated Notes due 2009.....</td><td>$100,000,000</td><td>100%</td><td>$100,000,000</td><td>$27,800</td></tr>
<tr><td>Guarantee of 12 5/8% Senior Subordinated Notes due 2009.....</td><td>(2)</td><td>(2)</td><td>(2)</td><td>(2)</td></tr>
</table>

(1) Estimated solely for the purpose of calculating the registration fee.
(2) DonJoy, L.L.C. will guarantee the obligations of dj Orthopedics, LLC and DJ Orthopedics Capital Corporation under the 12 5/8% Senior Subordinated Notes due 2009. Pursuant to Rule 457(n), no additional registration fee is being paid in respect of the guarantees.

THE REGISTRANTS HEREBY AMEND THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANTS SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

EXPLANATORY NOTE

This Registration Statement covers the registration of $100,000,000 aggregate principal amount of 12 5/8% Senior Subordinated Notes due 2009 (the "New Notes") of dj Orthopedics, LLC and DJ Orthopedics Capital Corporation (the "Issuers"), guaranteed by DonJoy, LLC (the "Guarantor"), that may be exchanged for an equal aggregate principal amount of the Issuers' outstanding 12 5/8% Senior Subordinated Notes due 2009, also guaranteed by the Guarantor. This Registration Statement also covers the registration of New Notes for resale by Chase Securities Inc. in market-making transactions. The complete prospectus relating to the exchange offer (the "Exchange Offer Prospectus") follow this explanatory note. Following the Exchange Offer Prospectus are certain pages of the prospectus relating solely to such market-making transactions (the "Market-Making Prospectus"), including alternate front and back cover pages, a section entitled "Risk Factors -- Trading Market for the New Notes" to be used in lieu of the section entitled "Risk Factors -- No Prior Market for the New Notes" and alternate sections entitled "Use of Proceeds" and "Plan of Distribution." In addition, the Market-Making Prospectus will not include the following captions (or the information set forth under those captions) in the Exchange Offer Prospectus: "Prospectus Summary -- Summary of the Terms of The Exchange Offer," "Risk Factors -- Failure to Exchange Old Notes," "The Exchange Offer," "Exchange and Registration Rights Agreement" and "Certain U.S. Federal Income Tax Considerations." All other sections of the Exchange Offer Prospectus will be included in the Market-Making Prospectus.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED SEPTEMBER 10, 1999

PROSPECTUS

DJ ORTHOPEDICS, LLC
DJ ORTHOPEDICS CAPITAL CORPORATION

OFFER TO EXCHANGE ALL OUTSTANDING
12 5/8% SENIOR SUBORDINATED NOTES DUE 2009
FOR 12 5/8% SENIOR SUBORDINATED NOTES DUE 2009
WHICH HAVE BEEN REGISTERED UNDER

THE SECURITIES ACT OF 1933

THE EXCHANGE OFFER

- We will exchange all old notes that are validly tendered and not validly withdrawn for an equal principal amount of new notes that are freely tradable.

- You may withdraw tenders of old notes at any time prior to the expiration of the exchange offer.

- The exchange offer expires at 5:00 p.m., New York City time, on , , unless we extend the offer.

THE NEW NOTES

- The terms of the new notes to be issued in the exchange offer are substantially identical to the old notes, except that the new notes will be freely tradeable.

- No public market currently exists for the notes. We do not intend to list the new notes on any securities exchange and, therefore, no active public market is anticipated.

YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS BEGINNING ON PAGE 20 OF THIS PROSPECTUS BEFORE PARTICIPATING IN THE EXCHANGE OFFER.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is , 1999

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</TABLE>

WHERE YOU CAN FIND MORE INFORMATION

Upon effectiveness of the Registration Statement of which this prospectus is a part, we will file annual and quarterly reports and other information with the Securities and Exchange Commission (the "SEC" or the "Commission"). You may read and copy any reports, documents and other information we file at the Commission's public reference rooms in Washington, D.C., New York, New York, and Chicago, Illinois. Please call 1-800-SEC-0330 for further information on the public reference rooms. Our filings will also be available to the public from commercial document retrieval services and at the web site maintained by the Commission at http://www.sec.gov.

We, together with our parent holding company, have filed a Registration Statement on Form S-4 to register with the Commission the new notes to be issued in exchange for the old notes. This prospectus is part of that Registration Statement. As allowed by the Commission's rules, this prospectus does not contain all of the information you can find in the Registration Statement and the exhibits to the Registration Statement.

WE HAVE NOT AUTHORIZED ANYONE TO GIVE YOU ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS ABOUT US OR THE TRANSACTIONS WE DISCUSS IN THIS PROSPECTUS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS. IF YOU ARE GIVEN ANY INFORMATION OR REPRESENTATIONS ABOUT THESE MATTERS THAT IS NOT DISCUSSED IN THIS PROSPECTUS, YOU MUST NOT RELY ON THAT INFORMATION. THIS PROSPECTUS IS NOT AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SECURITIES ANYWHERE OR TO ANYONE WHERE OR TO WHOM WE ARE NOT PERMITTED TO OFFER OR SELL SECURITIES UNDER APPLICABLE LAW. THE DELIVERY OF THIS PROSPECTUS DOES NOT, UNDER ANY CIRCUMSTANCES, MEAN THAT THERE HAS NOT BEEN A CHANGE IN OUR AFFAIRS SINCE THE DATE OF THIS PROSPECTUS. IT ALSO DOES NOT MEAN THAT THE INFORMATION IN THIS PROSPECTUS IS CORRECT AFTER THIS DATE.

FORWARD-LOOKING STATEMENTS

This prospectus includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 including, in particular, the statements about our plans, strategies, and prospects under the headings "Prospectus Summary", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we can give no assurance that such plans, intentions or expectations will be achieved. Important factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements we make in this prospectus are set forth in this prospectus, including under the heading "Risk Factors". All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements included in this prospectus.

INDUSTRY DATA

Information contained in this prospectus concerning the orthopedic products industry and its segments, including the orthopedic recovery products industry, our general expectations concerning that industry and its segments and our market position and market share within that industry or its segments, both domestically and internationally, are based on estimates prepared by us using data from various sources (primarily Frost & Sullivan, an international marketing consulting firm, as well as data from our internal research) and on assumptions made by us, based on that data and our knowledge of the orthopedic products industry and its segments, which we believe to be reasonable. Industry data is compiled based on the area of usage of the brace or support (i.e. for the knee, ankle, back, wrist or upper extremities) and includes both the non-retail market in which we compete and the retail market. Accordingly, industry data does not correspond to the organization of our operating segments. Thus, for example, knee braces and supports market data generally cover both rigid and soft knee braces and supports. We believe data regarding the orthopedic products industry and its segments and our market position and market share within that industry or its segments are inherently imprecise, but are

generally indicative of their size and our market position and market share within that industry or its segments. Data on our market position and market share within the orthopedic recovery products industry or its segments is based on U.S. sales. Estimated revenues for the orthopedic recovery products industry and its segments and the historical growth rates of that industry and its segments are based on information obtained from Frost & Sullivan. While we are not aware of any misstatements regarding any industry data presented in this prospectus, our estimates, in particular as they relate to our general expectations concerning the orthopedic products industry, involve risks and uncertainties and are subject to change based on various factors, including those discussed under the caption "Risk Factors" in this prospectus.

DonJoy(R), ProCare(R), Defiance(R), GoldPoint(R), Monarch(R), RocketSoc(R), IceMan(R), Air DonJoy(R), Quadrant(R), Legend(TM), TROM(TM), Playmaker(TM), PainBuster(TM), OPAL(TM) and 4-TiTude(TM) are certain of our registered trademarks and trademarks for which we have applications pending.

PROSPECTUS SUMMARY

The following summary highlights selected information from this prospectus and may not contain all of the information that is important to you. This prospectus includes information about the exchange offer, as well as information regarding our business, certain recent transactions entered into by us and detailed financial data. We urge you to read this prospectus in its entirety. Unless otherwise indicated,

- the terms "Company", "we", "our", "ours" and "us" refer to dj Orthopedics, LLC and its subsidiaries or, where the context requires, the operations of our predecessor, the Bracing and Support Systems division of Smith & Nephew, Inc. ("Smith & Nephew"),

- the term "DJ Capital" refers to DJ Orthopedics Capital Corporation, our wholly owned subsidiary and a co-obligor on the notes,

- the term "Issuers" refers to dj Orthopedics, LLC and DJ Orthopedics Capital Corporation,

- the term "DonJoy" refers to DonJoy, L.L.C., our parent company, and

- the term "notes" refers to both the old notes and the new notes.

The financial data included in this prospectus come from the financial statements of DonJoy. DonJoy is a guarantor of the notes and of our bank borrowings and has no material assets or operations other than its ownership of 100% of our equity interests. As a result, the consolidated financial position and results of operations of DonJoy are substantially the same as ours. The pro forma financial information set forth in this prospectus reflects the consummation of the Transactions (as defined below) as if they had occurred as of January 1, 1998 for purposes of the pro forma statements of income data and as of June 29, 1999 for purposes of the pro forma balance sheet data.

THE COMPANY

OVERVIEW

We are a world leading designer, manufacturer and marketer of orthopedic recovery products. Based on U.S. sales, we believe we are the leading provider of orthopedic recovery products and certain complementary products in the United States. Our broad product lines of rigid knee braces, soft goods and specialty and other orthopedic products provide a range of solutions for patients and orthopedic professionals during the various stages of the orthopedic treatment and recovery process. Our products can be used before, after and as an alternative to surgery, during and after rehabilitation and for the treatment of osteoarthritis. We are a market leader in the orthopedic recovery products industry, selling more than 500 individual products in over 50 countries throughout the world. We market our products under the DonJoy and ProCare brand names, each of which we believe enjoys one of the highest levels of brand name recognition within the orthopedic recovery products industry. In addition to the typical orthopedic patient, our products are used by professional athletes, NCAA athletic programs and the U.S. Ski Team. We believe that our leading market positions, strong brand names, reputation for quality products, broad product lines, established distribution networks in the United States and commitment to research and development

provide us with significant opportunities to further grow revenues and earnings. For 1998 and the six months ended June 29, 1999, our net revenues were $101.2 million and $54.7 million, respectively, and our pro forma EBITDA (as defined) was $22.0 million and $11.5 million, respectively.

Our product lines include rigid knee braces, soft goods and a portfolio of specialty and other orthopedic products.

- Rigid Knee Braces. Our rigid knee braces include ligament braces, which provide durable support for knee ligament instabilities, post-operative braces, which provide both knee immobilization and a protected range of motion, and osteoarthritic ("OA") braces, which provide relief of knee pain due to osteoarthritis. These technologically-advanced products are generally prescribed to a patient by an orthopedic professional. Our rigid knee braces are either customized braces, utilizing basic frames which are then custom-manufactured to fit a patient's particular measurements, or are standard braces which are available "off-the-shelf" in various sizes and can be easily adjusted to fit the patient in the orthopedic professional's office. Substantially all of our rigid knee braces are marketed under the DonJoy brand name. These products represented approximately 45% of our net revenues for the twelve months ended June 29, 1999.

- Soft Goods. Our soft goods products, most of which are fabric or neoprene-based, provide support and/or heat retention and compression for afflictions of the knee, ankle, back and upper extremities, including the shoulder, elbow, neck and wrist. Approximately 60% of our soft goods products are marketed under the ProCare brand name, with the remainder marketed under the DonJoy brand name. These products represented approximately 34% of our net revenues for the twelve months ended June 29, 1999.

- Specialty and Other Orthopedic Products. Our portfolio of specialty and other orthopedic products, which are designed to facilitate orthopedic rehabilitation, include lower extremity walkers (boots which are an alternative to lower extremity casting), upper extremity braces (shoulder and arm braces and slings), cold therapy systems (a form of pain management which provides continuous cold therapy to assist in the reduction of pain and swelling) and pain management delivery systems (a range of ambulatory infusion pumps for the delivery of local anesthetic directly into a joint following surgery). Approximately 80% of our specialty and other orthopedic products are marketed under the DonJoy brand name, with the remainder marketed under the ProCare brand name. These products represented approximately 21% of our net revenues for the twelve months ended June 29, 1999.

We sell our DonJoy products primarily to orthopedic surgeons, orthotic and prosthetic centers, hospitals, surgery centers, physical therapists and trainers to meet the specific needs of their patients. We sell our ProCare products under private label brand names primarily to third party distributors who generally resell our products to large hospital chains, hospital buying groups, primary care networks and orthopedic physicians. Our products are used by people who have sustained an injury, have recently completed an orthopedic surgical procedure and/or suffer from an affliction of the joint. In addition, a number of high profile

professional and amateur athletes who participate in sports such as football, basketball and skiing, choose to use our products.

INDUSTRY OVERVIEW

The orthopedic recovery products industry, the primary industry in which we currently compete, is a segment of the worldwide orthopedic products industry, which had estimated sales in 1998 of $8.5 billion, including estimated U.S. sales of $5.1 billion. The worldwide orthopedic products industry includes reconstructive implants, tissue fixation and healing products, orthopedic recovery products, spinal implants, arthroscopy products and other related products. The orthopedic recovery products industry includes retail and non-retail sales of braces and supports for the knee, ankle, back and upper extremities, including the shoulder, elbow, neck and wrist, and other related products. The U.S. orthopedic recovery products industry generated estimated revenues of $630 million in 1998. We currently compete in the non-retail segment of the U.S. orthopedic recovery products industry, which generated estimated revenues of $535 million in 1998. The European orthopedic recovery products industry generated estimated revenues of $330 million in 1998. Comparable data for the rest of the world is not readily available. Complementary market segments to the orthopedic recovery products industry within the overall orthopedic products industry include orthopedic pain management systems and devices, a market in which we currently compete and which generated estimated 1998 U.S. revenues of $150 million, and soft tissue fixation products and tissue healing products, which represent attractive markets for us and which generated estimated 1998 U.S. revenues of $350 million. Comparable data for Europe and the rest of the world is not readily available.

The orthopedic recovery products industry is highly fragmented and characterized by competition among a few large, diversified orthopedic companies

and numerous smaller niche competitors. Revenues in the U.S. orthopedic recovery products industry grew at an estimated compound annual growth rate of 3.5% from 1994 through 1998. This growth has been driven by increased participation in exercise, sports and other physical activity, the aging "baby boomer" population including adults suffering from osteoarthritis, and a growing awareness of the importance of preventative bracing. Comparable data for Europe and the rest of the world is not readily available.

We believe data set forth in this prospectus regarding the orthopedic products industry and its segments and our market position and market share within that industry or its segments are inherently imprecise, but are generally indicative of their size and our market position and market share within that industry or its segments. Estimated revenues for the orthopedic recovery products industry and its segments and the historical growth rates for such industry and its segments are based on information obtained from Frost & Sullivan. See "Industry Data."

COMPETITIVE STRENGTHS

We believe that the following competitive strengths provide us with a strong and stable base to enable us to further enhance growth and profitability:

- Leading market positions for certain of our products;

- Strong brand name recognition and reputation for quality;

- Broad product lines;

- Established U.S. distribution networks;

- Successful record of new product development; and

- Experienced and incentivized management team.

For a complete discussion of our competitive strengths, see "Business -- Competitive Strengths."

BUSINESS STRATEGY

Our strategic objectives are to strengthen our leadership position in the orthopedic recovery products industry and to increase our revenues and profitability. As a stand alone entity, we will be able to pursue strategic initiatives which were previously not possible. We intend to:

- Broaden our market reach;

- Enhance and grow our core business; and

- Expand our business platform.

The key elements of our business strategy are to:

- Increase international sales;

- Improve operating efficiencies;

- Introduce new products and product enhancements; and

- Pursue strategic growth opportunities.

For a complete discussion of our business strategy, See "Business -- Business Strategy."

THE TRANSACTIONS

On June 30, 1999, DonJoy consummated a recapitalization pursuant to an agreement among Chase DJ Partners, LLC ("CDP"), Smith & Nephew, the former owner of 100% of the equity interests of DonJoy, and DonJoy.

Approximately $208.5 million of cash was required to finance the recapitalization, including approximately $199.8 million of cash paid to Smith & Nephew as consideration for the repurchase of Smith & Nephew's equity interests in DonJoy (other than a retained interest of approximately 7.1%) and $8.7 million in transaction fees and expenses. The amount of cash paid to Smith & Nephew is subject to a post-closing adjustment. See "The Transactions." The sources of funds for the recapitalization consisted of:

- a $64.6 million cash investment in the common membership units (the "Common Units") of DonJoy by CDP;

- a $1.8 million investment in the Common Units of DonJoy by three members of senior management (the "Management Members"), $1.4 million of which was financed by loans from DonJoy evidenced by management promissory notes;

- $30.0 million of net proceeds from the purchase by CB Capital Investors L.P. ("CB Capital") and First Union Investors, Inc. ("First Union Investors") of redeemable preferred membership interests (the "Redeemable Preferred Units" and, together with the Common Units, the "Units") of DonJoy having an aggregate liquidation preference of $31.4 million. CB Capital and First Union Investors purchased approximately $21.2 million and $10.2 million, respectively, of Redeemable Preferred Units before payment of $1.4 million of fees to them on a pro rata basis; and

- our payment to DonJoy for DonJoy's assets and operations, financed by:
  -- approximately $98.0 million from the offering of the old notes, and
  -- $15.5 million of borrowings under our new senior secured credit facility.

The recapitalization, the purchase of the Common Units by CDP and the Management Members, the purchase of the Redeemable Preferred Units, the sale of assets by DonJoy to us, the offering of the old notes and the borrowings under our new credit facility are collectively referred to in this prospectus as the "Transactions." As a result of the Transactions, we are a wholly-owned direct subsidiary of DonJoy, holding all of its operating assets.

The sources and uses of funds for the recapitalization are presented in the following table:

<TABLE>
<CAPTION>

	AMOUNT
	(DOLLARS IN MILLIONS)
<S>	<C>
SOURCES:	
New credit facility(a)	$ 15.5
Old notes	98.0
Redeemable Preferred Units(b)	30.0
Common Unit investment in DonJoy by CDP	64.6
Retained Common Unit investment in DonJoy by Smith & Nephew	5.4
Common Unit investment in DonJoy by Management Members	1.8
Total sources	$215.3
USES:	
Consideration paid to Smith & Nephew	$199.8
Retained Common Unit investment in DonJoy by Smith & Nephew	5.4
Loans to Management Members	1.4
Fees and expenses	8.7
Total uses	$215.3

</TABLE>

(a) Represents the $15.5 million term loan borrowed under our new credit facility to consummate the recapitalization. Our new credit facility also provides for borrowings of up to $25.0 million under a revolving credit facility for working capital and general corporate purposes, including to finance acquisitions, investments and strategic alliances.

(b) Represents $31.4 million of proceeds received from the sale of Redeemable Preferred Units, net of $1.4 million of fees paid to CB Capital and First Union Investors on a pro rata basis.

As a result of the recapitalization, CDP, Smith & Nephew, the Management Members and the holders of the Redeemable Preferred Units own approximately 85.1%, 7.1%, 2.5% and 5.3%, respectively, of the voting units of DonJoy. In addition, certain members of our management have been granted options to acquire up to approximately 15% of DonJoy's equity interests on a fully diluted basis. See "Management -- 1999 Option Plan".

CDP is a limited liability company formed by CB Capital, First Union Investors and Fairfield Chase Medical Partners, LLC ("Fairfield Chase"). CB Capital invested approximately $57.9 million, First Union Investors invested

approximately $6.4 million and Fairfield Chase invested approximately $0.3 million in CDP. CDP and CB Capital are affiliates of Chase Capital Partners ("CCP"). CCP is the private equity group of The Chase Manhattan Corporation, one of the largest bank holding companies in the United States, and is one of the largest private equity

organizations in the United States, with over $7.0 billion under management. Through its affiliates, CCP invests in leveraged buyouts, recapitalizations and venture capital opportunities by providing equity and mezzanine debt capital. Since its inception in 1984, CCP has made over 700 direct investments in a variety of industries. CCP has invested approximately $750 million in over 80 health care companies. First Union Investors is the direct equity and mezzanine investment group of First Union Corporation. Fairfield Chase is a private venture capital firm targeting middle market medical device companies created by CCP and Charles T. Orsatti and controlled by Mr. Orsatti. For a description of the ownership, voting and management arrangements regarding DonJoy and CDP, see "Security Ownership of Certain Beneficial Owners and Management."

On July 30, 1999, CB Capital and First Union Investors each transferred to affiliates of TCW/Crescent Mezzanine, L.L.C. ("TCW") approximately $5.0 million of Redeemable Preferred Units of DonJoy and $1.8 million and $0.2 million, respectively, of membership interests in CDP.

SUMMARY OF THE TERMS OF THE EXCHANGE OFFER

On June 30, 1999, we completed the private offering of our 12 5/8% Senior Subordinated Notes due 2009. We and DonJoy entered into an exchange and registration rights agreement with the initial purchaser in the private placement in which we and DonJoy agreed to deliver to you this prospectus and we agreed to complete the exchange offer within 225 days after the date of original issuance of the old notes. You are entitled to exchange in the exchange offer your old notes for new notes which are identical in all material respects to the old notes except that:

- the new notes have been registered under the Securities Act;
- the new notes are not entitled to certain rights which are applicable to the old notes under the exchange and registration rights agreement; and
- certain liquidated damages provisions are no longer applicable.

The Exchange Offer.....	We are offering to exchange up to $100.0 million aggregate principal amount of 12 5/8% senior subordinated notes which have been registered under the Securities Act for up to $100.0 million aggregate principal amount of 12 5/8% senior subordinated notes which were issued on June 30, 1999 in the private offering. Old notes may be exchanged only in integral multiples of $1,000.
Resales.....	Based on an interpretation by the staff of the Commission set forth in no-action letters issued to third parties, we believe that the new notes issued pursuant to the exchange offer in exchange for old notes may be offered for resale, resold and otherwise transferred by you (unless you are our "affiliate" within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that you are acquiring the new notes in the ordinary course of business and that you have not engaged in, do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of the new notes. Each participating broker-dealer

that receives new notes for its own

account pursuant to the exchange offer in exchange for old notes that were acquired as a result of market-making or other trading activity must acknowledge that it will deliver a prospectus in connection with any resale of the new notes. See "Plan of Distribution."

Any holder of old notes who

- is our affiliate,

- does not acquire new notes in the ordinary course of its business, or

- tenders in the exchange offer with the intention to participate, or for the purpose of participating, in a distribution of new notes,

cannot rely on the position of the staff of the SEC enunciated in Exxon Capital Holdings Corporation, Morgan Stanley & Co. Incorporated or similar no-action letters and, in the absence of an exemption, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with the resale of the new notes.

Expiration Date; Withdrawal of Tenders...	The exchange offer will expire at 5:00 p.m., New York City time, on , or such later date and time to which we extend it. We do not currently intend to extend the expiration date. A tender of old notes pursuant to the exchange offer may be withdrawn at any time prior to the expiration date. Any old notes not accepted for exchange for any reason will be returned without expense to the tendering holder promptly after the expiration or termination of the exchange offer.
Conditions to the Exchange Offer.....	The exchange offer is subject to customary conditions, some of which we may waive. See "The Exchange Offer -- Conditions to Exchange Offer."

Procedures for Tendering Old Notes.....	If you wish to accept the exchange offer, you must complete, sign and date the accompanying letter of transmittal, or a copy of the letter of transmittal, according to the instructions contained in this prospectus and the letter of transmittal. You must also mail or otherwise deliver the letter of transmittal, or the copy, together with the old notes and any other required documents, to the exchange agent at the address set forth on the cover of the letter of transmittal. If you hold old notes through the Depository Trust Company ("DTC") and wish to participate in the exchange offer, you must comply with the Automated

Tender Offer Program procedures of DTC, by which you will agree to be bound by the letter of transmittal. By signing or agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

- any new notes that you receive will be acquired in the ordinary course of your business;

- you have no arrangement or understanding with any person or entity to participate in the distribution of the new notes;

- if you are a broker-dealer that will receive new notes for your own account in exchange for old notes that were acquired as a result of market-making activities, that you will deliver a prospectus, as required by law, in connection with any resale of such new notes; and

- you are not our "affiliate" as defined in Rule 405 under the Securities Act, or, if you are an affiliate, you will comply with any applicable registration and prospectus delivery requirements of the Securities Act.

Guaranteed Delivery Procedures.....	If you wish to tender your old notes and your old notes are not immediately available or you cannot deliver your old notes, the letter of transmittal or any other documents required by the letter of transmittal or comply with the applicable procedures under DTC's Automated Tender Offer Program prior to the expiration date, you must tender your old notes according to the guaranteed delivery procedures set forth in this prospectus under "The Exchange Offer -- Guaranteed Delivery Procedures."
Effect on Holders of Old Notes.....	As a result of the making of, and upon acceptance for exchange of all validly tendered old notes pursuant to the terms of, the exchange offer, we will have fulfilled a covenant contained in the exchange and registration rights agreement and, accordingly, we will not be obligated to pay liquidated damages as described in the exchange and registration rights agreement. If you are a holder of old notes and do not tender your old notes in the exchange offer, you will continue to hold such old notes and you will be entitled to all the rights and limitations applicable to the old notes in the indenture, except for any rights under the exchange and registration rights agreement that by their terms terminate upon the consummation of the exchange offer.
Consequences of Failure to Exchange.....	All untendered old notes will continue to be subject to the restrictions on transfer provided for in the old notes and in the indenture. In general, the old

	notes may not be offered or sold unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offer,

	we do not currently anticipate that we will register the old notes under the Securities Act.
Certain U.S. Federal Income Tax Considerations.....	The exchange of old notes for new notes in the exchange offer should not be a taxable event for U.S. federal income tax purposes. See "Certain U.S. Federal Income Tax Considerations."
Use of Proceeds.....	We will not receive any cash proceeds from the issuance of the new notes in the exchange offer.
Exchange Agent.....	The Bank of New York is the exchange agent for the exchange offer. The address and telephone number of the exchange agent are set forth in the section captioned "The Exchange Offer -- Exchange Agent."

SUMMARY OF THE TERMS OF THE NEW NOTES

Issuers.....	dj Orthopedics, LLC and DJ Orthopedics Capital Corporation.
New Notes Offered.....	$100,000,000 aggregate principal amount of 12 5/8% Senior Subordinated Notes due 2009.
Maturity.....	June 15, 2009.
Interest.....	Annual rate: 12 5/8% Payment frequency: every six months on June 15 and December 15. First payment: December 15, 1999. Holders of old notes whose old notes are accepted for exchange in the exchange offer will be deemed to have waived the right to receive any payment in respect of interest on the old notes accrued from June 30, 1999 (the original issue date of the old notes) to the date of issuance of the new notes. Consequently, holders who exchange their old notes for new notes will receive the same interest payment on December 15, 1999 (the first interest payment date with respect to the old notes and the new notes following consummation of the exchange offer) that they would have received had they not accepted the exchange offer.
Optional Redemption.....	On and after June 15, 2004, we may redeem some or all of the notes at the redemption prices listed in the section entitled "Description of the Notes -- Optional Redemption." Prior to such date, we may not redeem the notes, except as described in the following paragraph.

	At any time prior to June 15, 2002, we may redeem up to 35% of the original aggregate principal amount of the notes with the net cash proceeds of certain equity offerings at a redemption price equal to 112.625% of the principal amount thereof, plus accrued interest, so

	long as (a) at least 65% of the original aggregate amount of the notes remains outstanding after each such redemption and (b) any such redemption by us is made within 90 days of such equity offering.
Change of Control.....	Upon the occurrence of a change of control, unless we have exercised our right to redeem all of the notes as described above, you will have the right to require us to repurchase all or a portion of your notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued interest to the date of repurchase. See "Description of the Notes -- Change of Control."
Guarantees.....	The new notes will be fully and unconditionally guaranteed on an unsecured senior subordinated basis by DonJoy and certain of our future subsidiaries. None of our current subsidiaries will guarantee the new notes. If we fail to make payments on the new notes, DonJoy and our future subsidiaries that are guarantors, if any, must make them instead. Our Mexican subsidiary, currently our only subsidiary besides DJ Capital, will not guarantee the new notes. On a pro forma basis, as of June 29, 1999, the aggregate amount of the liabilities of our Mexican subsidiary as reflected on its balance sheet would have been $0.1 million and such subsidiary would have accounted for less than 1% of our assets. Guarantees of the new notes will be subordinated to the guarantees of our senior indebtedness under our new credit facility issued by DonJoy and certain of our future subsidiaries.
Ranking.....	The new notes will be unsecured and:

- subordinate to all of our existing and future senior debt;
- rank equally with all of our other future senior subordinated debt, including any old notes not exchanged for new notes in the exchange offer;
- rank senior to all of our future subordinated debt;
- effectively subordinated to our secured indebtedness to the

extent of the value of the assets securing such indebtedness; and

- effectively subordinated to all liabilities of our Mexican subsidiary and any other future subsidiary which does not guarantee the new notes.

Similarly, the guarantees of the new notes by DonJoy and our future guarantor subsidiaries, if any, will be unsecured and:

- subordinate to all of the applicable guarantor's existing and future senior debt;

- rank equally with all of the applicable guarantor's other future senior subordinated debt, including its guarantee of any old notes not exchanged for new notes in the exchange offer;

- rank senior to all of the applicable guarantor's future subordinated debt; and

- effectively subordinated to any secured indebtedness of such guarantor to the extent of the value of the assets securing such indebtedness.

Assuming we had completed the Transactions on June 29, 1999 and that all old notes are exchanged for

new notes in the exchange offer, on a pro forma basis:

- we would have had $15.5 million of senior debt to which the notes would be subordinated (which amount does not include $25.0 million available under the revolving credit portion of our credit facility);

- DonJoy and DJ Capital would have had no senior debt (other than their respective guarantees of our indebtedness under our new credit facility);

- we and DJ Capital would not have had any senior subordinated debt other than the new notes, and DonJoy would not have had any senior subordinated debt other than its guarantee on the new notes;

- we and DonJoy would not have had any subordinated debt; and

- our Mexican subsidiary, which is not a guarantor of the new notes, would have had $0.1 million of liabilities as reflected on its balance sheet.

The indenture relating to the new notes permits us to incur a significant amount of additional senior indebtedness.

Certain Covenants.....

The indenture, among other things, restricts our ability and the ability of our subsidiaries to:

- borrow money;

- make distributions, redeem equity interests or redeem subordinated debt;

- make investments;

- use assets as security in other transactions;

- sell assets;

- guarantee other indebtedness;

- enter into agreements that restrict dividends from subsidiaries;

- merge or consolidate; and

- enter into transactions with affiliates.

These covenants are subject to a number of important exceptions. For more details, see "Description of the Notes -- Certain Covenants."

RISK FACTORS

You should carefully consider the information under the caption "Risk Factors" and all other information in this prospectus before participating in the exchange offer.

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dj Orthopedics, LLC is a Delaware limited liability company formed in March 1999 and is a wholly-owned subsidiary of DonJoy, L.L.C., a Delaware limited liability company formed in December 1998 which acquired the assets and certain liabilities of the Bracing and Support Systems division of Smith & Nephew. DJ Orthopedics Capital Corporation, our wholly-owned subsidiary, is a Delaware corporation formed in March 1999 to serve as a co-issuer of the notes. Our principal executive offices are located at 2985 Scott Street, Vista, California 92083 and our telephone number is (800) 336-5690.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

The following table presents summary historical and pro forma consolidated financial data of DonJoy. DonJoy is a guarantor of the notes and of the new credit facility and has no material assets or operations other than its ownership of 100% of our equity interests. As a result, the consolidated financial position and results of operations of DonJoy are substantially the same as ours. The summary historical consolidated financial data for the years ended December 31, 1996, 1997 and 1998 come from DonJoy's audited consolidated financial statements included in this prospectus.

The summary historical consolidated financial data for the six months ended June 27, 1998 and June 29, 1999 come from DonJoy's unaudited consolidated financial statements included in this prospectus. In the opinion of our management, the unaudited consolidated financial data reflect all adjustments (which include normal recurring adjustments) necessary to present fairly DonJoy's financial position and results of operations for the unaudited periods. The results of operations for the interim periods are not necessarily indicative of operating results for the full year.

The summary pro forma consolidated financial data set forth below come from the unaudited pro forma financial statements included in this prospectus. The pro forma consolidated statements of income data gives effect to the Transactions as if they had occurred on January 1, 1998. The pro forma consolidated balance sheet data gives effect to the Transactions as if they had occurred on June 29, 1999. The summary pro forma financial data does not purport to represent what DonJoy's financial position or results of operations would have been if the Transactions had been completed as of the date or for the period presented, nor do such data purport to represent DonJoy's financial position or results of operations for any future date or period.

We urge you to read the financial data set forth below together with DonJoy's historical consolidated financial statements and the information

included under "The Transactions," "Selected Historical Consolidated Financial Data," "Unaudited Pro Forma Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," all of which is included elsewhere in this prospectus.

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	HISTORICAL					PRO FORMA	
	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED		YEAR ENDED	SIX MONTHS ENDED
	1996	1997	1998	JUNE 27, 1998	JUNE 29, 1999	DECEMBER 31, 1998	JUNE 29, 1999
				(DOLLARS IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF INCOME DATA:							
Net revenues	$83,112	$92,741	$101,169	$48,044	$54,653	$101,169	$54,653
Cost of goods sold(a)	36,396	39,030	46,329	22,096	25,642	43,080	23,825
Gross profit	46,716	53,711	54,840	25,948	29,011	58,089	30,828
Operating expenses(a):							
Sales and marketing	20,067	22,878	25,296	12,001	13,371	25,296	13,371
General and administrative	12,941	15,802	16,484	8,269	8,773	13,441	7,362
Research and development	1,766	2,055	2,248	1,201	1,048	2,248	1,048
Restructuring costs(b)	--	--	2,467	2,467	--	2,467	--
Total operating expenses	34,774	40,735	46,495	23,938	23,192	43,452	21,781
Income from operations	11,942	12,976	8,345	2,010	5,819	14,637	9,047
Interest income (expense), net	(2,459)	(2,072)	--	--	--	(15,031)	(7,516)
Income before income taxes	9,483	10,904	8,345	2,010	5,819	(394)	1,531
Provision for income taxes	3,828	4,367	3,394	817	2,387	--	--
Net income	$ 5,655	$ 6,537	$ 4,951	$ 1,193	$ 3,432	$ (394)	$ 1,531
OTHER DATA:							
EBITDA(c)	$16,584	$17,779	$ 15,665	$ 6,934	$ 8,270	$ 21,957	$11,498
Adjusted EBITDA(d)	19,187	22,090	21,957	10,058	11,498	21,957	11,498
Depreciation and amortization	4,642	4,803	4,853	2,457	2,451	4,853	2,451
Capital expenditures	1,848	2,273	3,189	2,742	515	3,189	515
Cash interest expense	--	--	--	--	--	14,029	7,015
Ratio of earnings to fixed charges	3.94x	4.83x	8.84x	3.61x	15.79x	(e)	1.19x
Ratio of EBITDA to cash interest expense	--	--	--	--	--	1.6x	1.6x
Ratio of total debt to EBITDA	--	--	--	--	--	5.2x	4.9x(f)

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	AS OF JUNE 29, 1999	
	HISTORICAL	PRO FORMA
	(IN THOUSANDS)	
<S>	<C>	<C>
BALANCE SHEET DATA		
Cash	$ 1,086	$ --
Working capital	23,466	23,466
Total assets	75,627	81,741
Total debt	--	113,453
Redeemable Preferred Units(g)	--	30,000
Total equity (deficit)	64,586	(71,667)

</TABLE>

NOTES TO SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

(a) Historical amounts include various charges and overhead allocations from Smith & Nephew. See note (d) below.

(b) We recorded restructuring costs in 1998 relating to the consolidation of our operations at our Vista, California facility. See Note 4 of Notes to Consolidated Financial Statements, "Unaudited Pro Forma Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview -- Manufacturing Cost Reduction Initiatives".

(c) "EBITDA" is defined as income from operations plus restructuring costs, and depreciation and amortization. EBITDA is not a measure of performance under generally accepted accounting principles. EBITDA should not be considered in isolation or as a substitute for net income, cash flows from operating activities and other income or cash flow statement data prepared in accordance with generally accepted accounting principles, or as a measure of profitability or liquidity. However, management has included EBITDA because it may be used by certain investors to analyze and compare companies on the basis of operating performance, leverage and liquidity and to determine a company's ability to service debt. Our definition of EBITDA may not be comparable to that of other companies.

(d) "Adjusted EBITDA" represents EBITDA (as defined above) adjusted to eliminate:

(1) charges for brand royalties paid by DonJoy to Smith & Nephew for use of the Smith & Nephew trademarks and trade names;

(2) foreign sales corporation commissions paid by DonJoy on sales to foreign sales corporations established by Smith & Nephew for tax planning purposes;

(3) Smith & Nephew overhead allocations for corporate managed accounts and new business expense and corporate management expense which will not be incurred following consummation of the recapitalization (the "Eliminated Allocations");

(4) Smith & Nephew overhead allocations for research and development and for amounts charged by Smith & Nephew for services provided to us for finance (risk management, treasury, audit and taxes), human resources and payroll and legal services (collectively, the "Other Corporate Allocations");

and adjusted to include the estimated costs we expect to incur to replace the services previously provided by Smith & Nephew as part of the Other Corporate Allocations.

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	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED	
	1996	1997	1998	JUNE 27, 1998	JUNE 29, 1999
<S>	<C>	<C>	<C>	<C>	<C>
EBITDA	$16,584	$17,779	$15,665	$ 6,934	$ 8,270
Brand royalties	1,274	1,605	3,249	1,603	1,817
Foreign sales corporation commissions	492	661	439	219	--
Eliminated Allocations	836	1,652	1,726	863	979
Other Corporate Allocations	801	1,193	1,678	839	832
Estimated costs to replace Smith & Nephew services	(800)	(800)	(800)	(400)	(400)
Adjusted EBITDA	$19,187	$22,090	$21,957	$10,058	$11,498

</TABLE>

Adjusted EBITDA does not reflect adjustments for Smith & Nephew allocations for bonus, pension and insurance or payroll taxes and benefits or charges for direct legal expenses incurred by Smith & Nephew on our behalf, which costs and expenses we believe we would have incurred in approximately the same amounts on a stand-alone basis, and are of a nature we will continue to incur following the recapitalization. Accordingly, no adjustments for these items have been made. For a more complete description of the corporate charges and allocations, the services to be performed by Smith & Nephew after the recapitalization and our ability to replace such services, see Note 3 of Notes to Consolidated Financial Statements, "Risk Factors -- No Recent Prior Operations as an Independent Company," "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview -- Smith & Nephew Allocations and Sales" and "Certain Relationships and Related Transactions -- Other Agreements between DonJoy and Smith & Nephew -- Transition Services Agreement."

The adjustments described above are reflected in the consolidated pro forma financial data presented in this prospectus.

(e) Pro forma earnings were insufficient to cover fixed charges by $0.5 million for the year ended December 31, 1998.

(f) Annualized

(g) The Redeemable Preferred Units were issued by DonJoy. See "The

Transactions."

RISK FACTORS

In addition to the other matters described in this prospectus, you should carefully consider the specific factors set forth below before participating in the exchange offer.

SUBSTANTIAL LEVERAGE -- OUR SUBSTANTIAL INDEBTEDNESS COULD ADVERSELY AFFECT OUR ABILITY TO OPERATE OUR BUSINESS AND TO FULFILL OUR OBLIGATIONS UNDER THE NOTES.

As a result of the Transactions, we are highly leveraged, which means we have a large amount of indebtedness in relation to our members' equity (deficit). The following chart shows certain important credit statistics and is presented assuming we had completed the Transactions as of June 29, 1999 in the case of the first three statistics, and as of January 1, 1998 in the case of the ratios of earnings to fixed charges:

	PRO FORMA AT JUNE 29, 1999 (IN THOUSANDS)
Long-term debt	$113,453
Redeemable preferred units	$ 30,000
Members' deficit	$(71,667)

	PRO FORMA FOR THE	
	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 29, 1999
Ratio of earnings to fixed charges	(a)	1.19x

(a) Pro forma earnings were insufficient to cover fixed charges by $0.5 million for the year ended December 31, 1998.

We may also incur additional indebtedness from time to time to finance acquisitions, investments or strategic alliances or capital expenditures or for other purposes subject to the restrictions contained in the new credit facility and the indenture. See "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources," "Description of New Credit Facility" and "Description of the Notes."

Our high degree of leverage could have important consequences to us, including the following:

- Our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms.
- We will need a substantial portion of our cash flow to pay the principal and interest on our indebtedness, including indebtedness that we may incur in the future.
- Payments on our indebtedness will reduce the funds that would otherwise be available for our operations and future business opportunities.
- Debt under the new credit facility is secured and matures prior to the notes.
- A substantial decrease in our net operating cash flows could make it difficult for us to meet our debt service requirements and force us to modify our operations.

- We may be more highly leveraged than our competitors, which may place us at a competitive disadvantage.

- Our debt level may make us more vulnerable than our competitors to a downturn in our business or the economy generally.

- Our debt level reduces our flexibility in responding to changing business and economic conditions.

- Some of our debt has a variable rate of interest, which exposes us to the risk of increased interest rates.

- There would be a material adverse effect on our business and financial condition if we are unable to service our indebtedness or obtain additional financing, as needed.

ABILITY TO SERVICE DEBT -- TO SERVICE OUR INDEBTEDNESS, WE WILL REQUIRE A SIGNIFICANT AMOUNT OF CASH. OUR ABILITY TO GENERATE CASH DEPENDS ON MANY FACTORS BEYOND OUR CONTROL.

Our ability to pay principal and interest on the notes and to satisfy our other obligations will depend upon, among other things:

- Our future financial and operating performance, which performance will be affected by prevailing economic conditions and financial, business, regulatory and other factors, certain of which are beyond our control;

- The future availability of borrowings under the new revolving credit facility or any successor facility, the availability of which is or may depend on, among other things, our complying with certain covenants. See "Description of New Credit Facility."

Based on our current and expected levels of operations, we expect that our operating cash flow and borrowings under the new revolving credit facility should be sufficient for us to meet our operating expenses, to make necessary capital expenditures and to service our debt requirements as they become due. However, our operating results and borrowings under the new revolving credit facility may not be sufficient to service our indebtedness, including the Notes. In addition, we may incur additional indebtedness in order to make acquisitions, investments or strategic alliances. If we cannot service our indebtedness, we will be forced to take actions such as reducing or delaying acquisitions, investments, strategic alliances and/or capital expenditures, selling assets, restructuring or refinancing our indebtedness (which could include the notes), or seeking additional equity capital or bankruptcy protection. There is no assurance that any of these remedies can be effected on satisfactory terms, if at all. In addition, the terms of existing or future debt agreements, including the new credit facility and the indenture, may restrict us from adopting any of these alternatives.

SUBORDINATION OF THE NOTES AND THE GUARANTEE; STRUCTURAL SUBORDINATION OF THE NOTES -- THE NOTES AND THE GUARANTEE BY DONJOY ARE, AND GUARANTEES BY ANY OF OUR FUTURE SUBSIDIARIES WILL BE, EFFECTIVELY SUBORDINATED TO ALL SENIOR DEBT OF OUR SUBSIDIARIES.

The notes are subordinated in right of payment to the prior payment in full of all our existing and future senior indebtedness and the guarantee of the notes by DonJoy and any future subsidiaries providing a guarantee of the notes will be subordinated in right of payment to all senior indebtedness of the applicable guarantor. The indenture requires each of our domestic subsidiaries that is formed

or acquired in the future to guarantee the notes, unless we designate such subsidiary as an Unrestricted Subsidiary (as defined). As of June 29, 1999, assuming that we had completed the Transactions on that date, we would have had approximately $15.5 million of senior indebtedness outstanding (excluding unused commitments under the new revolving credit facility), all of which would have been secured, and DonJoy would have had no senior indebtedness outstanding (other than its guarantee of our borrowings under the new credit facility). In addition, the indenture permits us and our Restricted Subsidiaries (as defined in the indenture) to incur additional senior indebtedness, including indebtedness under the new credit facility.

We or the applicable guarantor may not pay principal, premium (if any), interest or other amounts on account of the notes or the guarantee by DonJoy or any subsidiary in the event of a payment default on, or another default that has resulted in the acceleration of, certain senior indebtedness (including debt under the new credit facility) unless such indebtedness has been paid in full or the default has been cured or waived. In the event of certain other defaults with respect to certain senior indebtedness, we or the applicable guarantor may not be permitted to pay any amount on account of the notes or the guarantee by DonJoy or any subsidiary for a designated period of time. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding with respect to us or a guarantor, our assets or a guarantor's assets, as the case may be, will be available to pay obligations on the notes or the guarantor's

guarantee, as applicable, only after our senior indebtedness or the senior indebtedness of that guarantor has been paid in full, and there can be no assurance that there will be sufficient assets remaining to pay amounts due on all or any of the notes or any guarantee of the notes.

Our right to receive assets of any subsidiary which is not a guarantor upon the liquidation or reorganization of that subsidiary (and thus the rights of the holders of notes to realize any value with respect to those assets) will be subject to the prior claims of creditors of that subsidiary (including trade creditors). Accordingly, since our Mexican subsidiary is not a guarantor of the notes, the notes are effectively subordinated to all liabilities (including trade payables and contingent liabilities) of our Mexican subsidiary and any of our future subsidiaries that do not provide a guarantee of the notes except to the extent that we are recognized as a creditor of such subsidiary. However, even if we were recognized as a creditor of a subsidiary that does not guarantee the notes, our claims would still be subordinate to any security interest in the assets of that subsidiary, and any indebtedness of that subsidiary senior to that held by us. On a pro forma basis after giving effect to the Transactions, the aggregate amount of the liabilities of our Mexican subsidiary as reflected on its balance sheet would have been $0.1 million as of June 29, 1999.

LIMITED VALUE OF DONJOY GUARANTEE -- YOU SHOULD NOT RELY ON THE GUARANTEE BY DONJOY IN THE EVENT WE CANNOT MAKE PAYMENTS UPON THE NEW NOTES.

As a result of the Transactions, all of the operations of DonJoy are conducted through us and DonJoy has no material assets other than its ownership of 100% of our equity interests. Accordingly, DonJoy's cash flow and, consequently, its ability to service debt, including its guarantee of the notes and our new credit facility, depends on our operations. As a result, you should not rely on the guarantee by DonJoy for repayment of the notes.

ASSET ENCUMBRANCES TO SECURE THE NEW CREDIT FACILITY -- IF WE DEFAULT UNDER OUR SENIOR DEBT, OUR SENIOR LENDERS CAN FORECLOSE ON THE ASSETS WE HAVE PLEDGED TO SECURE PAYMENT OF THE SENIOR DEBT TO YOUR EXCLUSION.

In addition to being contractually subordinated to all existing and future senior indebtedness, our obligations under the notes (and DonJoy's obligations under its guarantee) are unsecured while our obligations under the new credit facility (and DonJoy's obligations under its guarantee of our indebtedness under the new credit facility) are secured by a security interest in substantially all of our assets and the assets of DonJoy (which consist principally of 100% of our equity interests) and each of our existing and subsequently acquired or organized U.S. and, subject to certain limitations, non-U.S. subsidiaries, including a pledge of all of the issued and outstanding equity interests in our existing or subsequently acquired or organized U.S. subsidiaries and 65% of the equity interests in each of our subsequently acquired or organized non-U.S. subsidiaries. If we are declared bankrupt or insolvent or if we default under the new credit facility, the lenders could declare all of the funds borrowed under our new credit facility, together with accrued interest, immediately due and payable. If we were unable to repay that indebtedness, the lenders could foreclose on our equity interests pledged by DonJoy, on the pledged equity interests of our subsidiaries and on the assets in which they have been granted a security interest, in each case to your exclusion, even if an event of default exists under the indenture at such time. Furthermore, if all equity interests of any future subsidiary guarantor are sold to persons pursuant to an enforcement of the pledge of equity interests in that subsidiary guarantor for the benefit of the senior lenders, then the applicable subsidiary guarantor will be released from its guarantee of the notes automatically and immediately upon such sale. See "Description of New Credit Facility."

RESTRICTIVE DEBT COVENANTS -- OUR DEBT AGREEMENTS RESTRICT OUR BUSINESS IN MANY WAYS.

The new credit facility and the indenture impose, and the terms of any future indebtedness may impose, operating and other restrictions on us. Such restrictions affect, and in many respects limit or prohibit, among other things, our ability to:

- incur additional indebtedness,
- issue redeemable equity interests and preferred equity interests,
- pay dividends or make distributions, repurchase equity interests or make other restricted payments,
- redeem indebtedness that is subordinated in right of payment to the Notes,
- create liens,
- enter into certain transactions with affiliates,

- make certain investments,

- sell assets, or

- enter into mergers or consolidations.

The new credit facility also requires us to achieve certain financial and operating results and satisfy certain financial ratios and prohibits us from prepaying our other indebtedness (including the notes) while indebtedness under the new credit facility is outstanding. Our ability to comply with such provisions may be affected by events beyond our control.

These restrictions contained in the indenture and the new credit facility could

- limit our ability to plan for or react to market conditions or meet capital needs or otherwise restrict our activities or business plans, and

- adversely affect our ability to finance our operations, acquisitions, investments or strategic alliances or other capital needs or to engage in other business activities that would be in our interest.

A breach of any of these covenants, ratios, tests or other restrictions could result in an event of default under the new credit facility and/or the indenture. Upon the occurrence of an event of default under the new credit facility, the lenders could elect to declare all amounts outstanding under the new credit facility, together with accrued interest, to be immediately due and payable. If we were unable to repay those amounts, the lenders could proceed against the collateral granted to them to secure such indebtedness. If the lenders under the new credit facility accelerate the payment of the indebtedness, there can be no assurance that our assets would be sufficient to repay in full such indebtedness and our other indebtedness, including the notes. See "-- Subordination of the Notes and the Guarantee; Structural Subordination of the Notes," "-- Asset Encumbrances to Secure the New Credit Facility," "Description of New Credit Facility" and "Description of the Notes -- Certain Covenants."

UNCERTAINTY RELATING TO THIRD PARTY REIMBURSEMENT -- CHANGES IN REIMBURSEMENT POLICIES FOR OUR PRODUCTS BY THIRD PARTY PAYORS OR REDUCTIONS IN REIMBURSEMENT RATES FOR OUR PRODUCTS COULD ADVERSELY AFFECT US.

The ability of our customers (or persons to whom our customers sell our products) to receive reimbursement for the cost of our products from private third party payors and, to a lesser extent, Medicare, Medicaid and other governmental programs, is important to our business. Although we are unable to give precise data because, subject to certain limited exceptions, we are not directly involved in the third party reimbursement process, we believe that a substantial portion of our sales to customers (or by them to their customers) are reimbursed by third party payors. In the United States, third party reimbursement is generally based on the medical necessity of the product to the user, and generally products which are prescribed by doctors are eligible for reimbursement. As such, we believe that substantially all of our U.S. sales of rigid knee braces and a substantial portion of our U.S. sales of soft goods and specialty and other orthopedic products are reimbursed by third party payors. In response to the historic and forecasted reductions of U.S. reimbursement rates, we and many of our competitors are introducing new product offerings at lower prices. Failure by users of our products to obtain sufficient reimbursement from third party payors for our products or adverse changes in governmental and private payors' policies toward reimbursement for our products could have a material adverse effect on our business, financial condition and results of operations. There can be no assurance that third party reimbursement for our products will continue to be available or at what rate such products will be reimbursed.

Congress and certain state legislatures are considering reforms in the health care industry that may lower reimbursement practices, including controls on health care spending through limitations on the growth of Medicare and Medicaid spending. In particular, President Clinton's budget request for 2000 proposes an over $500 million reduction in reimbursement for orthotic and prosthetic devices,

including some of our products. In addition, we believe that as an alternative to the President's budget proposal, Congress is considering the elimination of the current 1% annual increase in reimbursement rates for orthotic and prosthetic devices. The President's proposal is not specific as to how the reduction in reimbursement would be implemented. We cannot predict whether or in

what form the reduction of, or elimination of the annual increases in, reimbursement rates will be adopted, or if adopted, what effect such reduction or elimination will have on reimbursement rates for our products. Private health insurance plans generally set reimbursement rates at a discount to Medicare. Any Congressional or regulatory developments that reduce Medicare reimbursement rates could reduce reimbursement rates for our products, which could have an adverse effect on our ability to sell our products or cause our customers to use less expensive products, which could have a material adverse effect on our results of operations.

Similar to our domestic business, our success in international markets also depends upon the eligibility of our products for reimbursement through government sponsored health care payment systems and third party payors, particularly in Europe and Japan, our principal international markets. Reimbursement practices vary significantly by country, with certain jurisdictions, most notably France, requiring products to undergo lengthy regulatory review in order to be eligible for reimbursement. In addition, health care cost containment efforts similar to those we face in the United States are prevalent in many of the foreign jurisdictions in which our products are sold and these efforts are expected to continue. For example, in Germany, our largest foreign market representing approximately one-third of international sales in 1998, reimbursement for our products was decreased in 1997 to 80% from 100% by government sponsored health care payment systems and third party payors. In Italy, our rigid knee bracing products and cold therapy systems, among others, are no longer eligible for reimbursement at all. In the United Kingdom, while reimbursement for our products through the National Health Service ("NHS") is currently available, the cost of our products is not reimbursed by private health insurance plans and orthopedic professionals are being pressured by the NHS to reduce or eliminate the number of rigid knee braces prescribed for orthopedic patients. In France, while we believe our rigid knee braces would be eligible for reimbursement, our knee brace products have not gone through the lengthy regulatory process necessary for reimbursement eligibility and, accordingly, the cost of these products is not currently reimbursed in France. Any developments in our foreign markets that eliminate or reduce reimbursement rates for our products could have an adverse effect on our ability to sell our products or cause our customers to use less expensive products, which could have a material adverse effect on our results of operations.

RESPONSES BY HEALTH CARE PROVIDERS TO PRICE PRESSURES; FORMATION OF BUYING GROUPS -- HEALTHCARE REFORM AND THE EMERGENCE OF MANAGED CARE AND BUYING GROUPS HAS PUT DOWNWARD PRESSURE ON THE PRICES OF OUR PRODUCTS.

Within the United States, health care reform and the emergence of managed care are changing the dynamics of the health care industry as it seeks ways to control rising health care costs. As a result of health care reform, the U.S. health care industry has seen a rapid expansion of managed care at the expense of traditional private insurance. The development of managed care programs in which the providers contract to provide comprehensive health care to a patient population at a fixed cost per person (referred to as capitation) has given rise to,

and is expected to continue to cause, pressures on health care providers to lower costs. The advent of managed care has also resulted in greater attention to the tradeoff between patient need and product cost, so-called demand matching, where patients are evaluated as to age, need for mobility and other parameters and are then matched with an orthopedic recovery product that is cost effective in light of such evaluation. One result of demand matching has been, and is expected to continue to be, a shift toward lower priced products, and any such shift in our product mix to lower margin, off-the-shelf products could have an adverse impact on our operating results. For example, in our rigid knee bracing segment, we and many of our competitors are offering lower priced, off-the-shelf products in response to managed care. These lower priced products have in part contributed to our minimal sales growth in our rigid knee bracing product lines over the past few years and could have a material adverse effect on our business, financial condition and results of operations in the future.

A further result of managed care and the related pressure on costs has been the advent of buying groups in the United States. Such buying groups enter into preferred supplier arrangements with one or more manufacturers of orthopedic or other medical products in return for price discounts. The extent to which such buying groups are able to obtain compliance by their members with such preferred supplier agreements varies considerably depending on the particular buying groups. In response to the organization of new buying groups, we have entered into national contracts with selected groups and believe that the high levels of product sales to such groups and the opportunity for increased market share can offset the financial impact of discounting. We believe that our ability to enter into more of such arrangements will be important to our future success and the growth of our revenues. However, we may not be able to obtain new preferred supplier commitments for major buying groups, in which case we could lose significant potential sales, to the extent such groups are able to command a high level of compliance by their members. On the other hand, if we receive

preferred supplier commitments from particular groups which do not deliver high levels of compliance, we may not be able to offset the negative impact of lower per unit prices or lower margins with any increases in unit sales or in market share, which could have a material adverse effect on our business, financial condition and results of operations.

In international markets, where the movement toward health care reform and the development of managed care are generally not as advanced as in the United States, we have experienced similar downward pressure on product pricing and other effects of health care reform as we have experienced in the United States. We expect health care reform and managed care to continue to develop in our primary international markets, including Europe and Japan, which we expect will result in further downward pressure in product pricing. The timing and the effects on us of health care reform and the development of managed care in international markets cannot currently be predicted.

POTENTIAL REGULATION LIMITING CUSTOMER BASE -- PROPOSED LAWS COULD LIMIT THE TYPES OF ORTHOPEDIC PROFESSIONALS WHO CAN FIT, SELL OR SEEK REIMBURSEMENT FOR OUR PRODUCTS.

Congress and state legislatures have from time to time, in response to pressure from certain orthopedic professionals, considered proposals which would have the effect of limiting the types of orthopedic professionals who can fit and/or

sell our products or who can seek reimbursement for our products. In particular, Texas and Florida have adopted legislation which prohibits the practice of orthotics and prosthetics, including the measuring, fitting and adjusting of certain medical devices, without a license. The effect of such laws could be to substantially limit our potential customers in those jurisdictions in which such legislation or regulations are enacted and could provide the authorized providers of our products with greater purchasing power. In such event, we would seek to ensure that orthopedic professionals continue to prescribe our products and enhance our relationships with authorized providers. However, we may not be successful in responding to such laws and therefore the adoption of such laws could have a material adverse effect on our business, financial condition and results of operations.

PATENTS AND PROPRIETARY KNOW-HOW -- WE RELY ON INTELLECTUAL PROPERTY TO DEVELOP AND MANUFACTURE OUR PRODUCTS AND OUR BUSINESS COULD BE ADVERSELY AFFECTED IF WE LOSE OUR INTELLECTUAL PROPERTY RIGHTS.

We hold U.S. and foreign patents relating to certain of our components and products and have patent applications pending with respect to certain components and products. We also anticipate that we will apply for additional patents as we deem appropriate. We believe that certain of our existing patents, particularly the patents for our:

- "Four Points of Leverage" system, the critical element in the design of all of our ligament braces,
- Custom Contour Measuring System, which serves as an integral part of the measurement process for patients ordering our customized ligament and OA braces,
- series of hinges for our post-operative braces, and
- pneumatic pad design and production technologies which utilize air inflatable cushions that allow the patient to vary the location and degree of support provided by braces such as the Defiance and the Patient Ready Monarch,

are and will continue to be extremely important to our success. However, we cannot assure you that:

- our existing or future patents, if any, will afford us adequate protection,
- our patent applications will result in issued patents, or
- our patents will not be circumvented or invalidated.

The patent for our "Four Points of Leverage" system expires in January 2005. The expiration of this patent could have a material adverse effect on our business, financial condition and results of operations.

In addition, we hold licenses from third parties to utilize certain patents, patents pending and technology utilized in the design of some of our existing products and products under development, including the IceMan and the VISTA system. If we lost these licenses, we would not be able to manufacture and sell these products, which could have a material adverse effect on our business,

financial condition and results of operations.

Our success also depends on non-patented proprietary know-how, trade secrets, processes and other proprietary information. We employ various methods to protect our proprietary information, including confidentiality agreements and

proprietary information agreements with vendors, employees, consultants and others who have access to our proprietary information. However, these methods may not provide us with adequate protection. Our proprietary information may become known to, or be independently developed by, competitors, or our proprietary rights in intellectual property may be challenged, any of which could have a material adverse effect on our business, financial condition and results of operations. See "Business -- Intellectual Property."

PATENT LITIGATION -- WE COULD BE ADVERSELY AFFECTED IF WE BECOME INVOLVED IN LITIGATION REGARDING OUR PATENTS OR OTHER INTELLECTUAL PROPERTY RIGHTS.

The medical device industry has experienced extensive litigation regarding patents and other intellectual property rights. We or our products may become subject to patent infringement claims or litigation or interference proceedings declared by the United States Patent and Trademark Office ("USPTO") to determine the priority of inventions. The defense and prosecution of intellectual property suits, USPTO interference proceedings and related legal and administrative proceedings are both costly and time-consuming. We have from time to time needed to, and may in the future need to, litigate to enforce our patents, to protect our trade secrets or know-how or to determine the enforceability, scope and validity of the proprietary rights of others. Any future litigation or interference proceedings will result in substantial expense to us and significant diversion of effort by our technical and management personnel. An adverse determination in litigation or interference proceedings to which we may become a party could:

- subject us to significant liabilities to third parties,

- require disputed rights to be licensed from a third party for royalties that may be substantial, or

- require us to cease using such technology.

Any one of these outcomes could have a material adverse effect on us. Furthermore, we may not be able to obtain necessary licenses on satisfactory terms, if at all. Accordingly, adverse determinations in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent us from manufacturing and selling certain of our products, which would have a material adverse effect on our business, financial condition and results of operations.

UNCERTAINTY OF DOMESTIC AND FOREIGN REGULATORY CLEARANCE AND APPROVAL -- WE MAY NOT RECEIVE REGULATORY CLEARANCE OR APPROVAL FOR OUR PRODUCTS OR OPERATIONS IN THE UNITED STATES OR ABROAD.

Our products and operations are subject to extensive regulation in the United States by the Federal Food and Drug Administration ("FDA"). The FDA regulates the research, testing, manufacturing, safety, labeling, storage, recordkeeping, promotion, distribution, and production of medical devices in the United States to ensure that medical products distributed domestically are safe and effective for their intended uses. In particular, in order for us to market certain products for clinical use in the United States, we generally must first obtain clearance from the FDA, pursuant to Section 510(k) of the Federal Food, Drug, and Cosmetic Act ("FFDCA"). Clearance under Section 510(k) requires demonstration that a new device is substantially equivalent to another legally marketed device. In addition, if we develop products in the future that are not considered to be substantially equivalent to a legally marketed device, we will be required to obtain FDA approval

by submitting a premarket approval application ("PMA"). All of our currently marketed products hold the relevant exemption or premarket clearance under the FFDCA. See "Business -- Government Regulation."

The FDA may not act favorably or quickly in its review of our 510(k) or PMA submissions, or we may encounter significant difficulties and costs in our efforts to obtain FDA clearance or approval, all of which could delay or preclude sale of new products in the United States. Furthermore, the FDA may request additional data, require us to conduct further testing, or compile more data, including clinical data, in support of a 510(k) submission. The FDA may also, instead of accepting a 510(k) submission, require us to submit a PMA, which is typically a much more complex application than a 510(k). To support a

PMA, the FDA would likely require that we conduct one or more clinical studies to demonstrate that the device is safe and effective, rather than substantially equivalent to another legally marketed device. We may not be able to meet the requirements to obtain 510(k) clearance or PMA approval, or the FDA may not grant any necessary clearances or approvals. In addition, the FDA may place significant limitations upon the intended use of our products as a condition to a 510(k) clearance or PMA approval. Product applications can also be denied or withdrawn due to failure to comply with regulatory requirements or the occurrence of unforeseen problems following approval. Failure to obtain FDA clearance or approvals of new products we develop, any limitations imposed by the FDA on new product use or the costs of obtaining FDA clearance or approvals could have a material adverse effect on our business, financial condition and results of operations.

In order to conduct a clinical investigation involving human subjects for the purpose of demonstrating the safety and effectiveness of a device, a company must, among other things, apply for and obtain Institutional Review Board ("IRB") approval of the proposed investigation. In addition, if the clinical study involves a "significant risk" (as defined by the FDA) to human health, the sponsor of the investigation must also submit and obtain FDA approval of an investigational device exemption ("IDE") application. We may not be able to obtain FDA and/or IRB approval to undertake clinical trials in the U.S. for any new devices we intend to market in the United States in the future. If we obtain such approvals, we may not be able to comply with the IDE and other regulations governing clinical investigations or the data from any such trials may not support clearance or approval of the investigational device. Failure to obtain such approvals or to comply with such regulations could have a material adverse effect on our business, financial condition and results of operations.

Once the medical device sponsor obtains clearance or approval for a product, rigorous regulatory requirements apply to medical devices. These requirements include, among other things, the Quality System Regulation ("QSR"), recordkeeping regulations, labeling requirements and adverse event reporting regulations. See "Business -- Government Regulation -- Medical Device Regulation." Failure to comply with applicable FDA medical device regulatory requirements could result in, among other things, warning letters, fines, injunctions, civil penalties, repairs, replacements, refunds, recalls or seizures of products, total or partial suspension of production, the FDA's refusal to grant future premarket clearances or approvals, withdrawals or suspensions of current product applications, and criminal prosecution. Any of these actions, in combination or alone,

could have a material adverse effect on our business, financial condition, and results of operations.

In many of the foreign countries in which we market our products, we are subject to regulations affecting, among other things, product standards, packaging requirements, labeling requirements, import restrictions, tariff regulations, duties and tax requirements. Many of the regulations applicable to our devices and products in such countries are similar to those of the FDA, including those in Germany, our largest foreign market. In addition, in many countries the national health or social security organizations require our products to be qualified before they can be marketed with the benefit of reimbursement eligibility. Failure to receive, or delays in the receipt of, relevant foreign qualifications could also have a material adverse effect on our business, financial condition, and results of operations. See "Business -- Government Regulation." Due to the movement towards harmonization of standards in the European Union, we expect a changing regulatory environment in Europe characterized by a shift from a country-by-country regulatory system to a European Union wide single regulatory system. The timing of this harmonization and its effect on us cannot currently be predicted. Any such developments could have a material adverse effect on our business, financial condition and results of operations.

DEPENDENCE ON ORTHOPEDIC PROFESSIONALS, AGENTS AND DISTRIBUTORS -- WE RELY HEAVILY ON OUR RELATIONSHIPS WITH ORTHOPEDIC PROFESSIONALS, AGENTS AND DISTRIBUTORS FOR MARKETING OUR PRODUCTS.

The sales of our rigid knee braces depend to a significant extent on the prescription and/or recommendation of such products by widely recognized orthopedic surgeons and sports medicine specialists. We have developed and maintain close relationships with a number of widely recognized orthopedic surgeons and sports medicine specialists who assist in product research, development and marketing. These professionals often become product "champions", speaking about our products at medical seminars, assisting in the training of other professionals in the use and/or fitting of our products and providing us with feedback on the industry's acceptance of our new products. The failure of our rigid knee braces to retain the support of such surgeons or specialists, or the failure of our new rigid knee braces to secure and retain similar support from leading surgeons or specialists, could have a material adverse effect on our business, financial condition and results of operations.

Our marketing success in the United States also depends largely upon marketing arrangements with independent agents and distributors. Our success depends upon our agents' and distributors' sales and service expertise and relationships with the customers in the marketplace. Our failure to maintain relationships with agents and distributors could have a material adverse effect on our business, financial condition and results of operations. See "Business -- Sales, Marketing and Distribution."

TRANSITION TO NEW INDEPENDENT DISTRIBUTORS IN INTERNATIONAL MARKETS -- WE COULD BE ADVERSELY AFFECTED IF WE ARE NOT SUCCESSFUL IN FINDING AND RETAINING NEW INDEPENDENT DISTRIBUTORS IN INTERNATIONAL MARKETS.

In international markets our products have historically been sold through 30 Smith & Nephew sales organizations and 14 independent distributors, with approximately 55% of our international sales having been made through Smith &

Nephew sales organizations. As a result of the recapitalization, we intend to replace most of the Smith & Nephew sales organizations with independent distributors. As of August 1, 1999, we have replaced the Smith & Nephew sales organizations in Japan, New Zealand and Hong Kong with independent distributors. We have also given notice to Smith & Nephew that we will terminate 16 of the remaining 27 Smith & Nephew sales organizations by the beginning of 2000. We believe that we will be able to increase sales by switching to independent distributors who will be responsible for achieving sales targets and focused on building strong relationships with our targeted customers. However, we may not be able to find and retain independent distributors on favorable terms or successfully effect the transition to such new distributors without a significant disruption or loss of sales in the applicable foreign jurisdiction. In addition, the new distributors may not become technically proficient in the use and benefits of our products in a timely manner, if at all. Accordingly, our transition to new independent distributors could have a material adverse effect on our business, financial condition and results of operations.

In connection with the recapitalization, we entered into a distribution agreement pursuant to which the 30 Smith & Nephew sales organizations which sell our products will continue to do so. However, Smith & Nephew has the right to cease distributing our products in a specific territory on either 30 or 60 days notice (which notice may not be given with respect to certain territories prior to September 1, 1999 or December 31, 1999), depending on the territory. See "Certain Relationships and Related Transactions -- Other Agreements between DonJoy and Smith & Nephew -- Distribution Agreement." If Smith & Nephew terminates the distribution of our products in a territory, we may not be able to find a new independent distributor to replace the Smith & Nephew sales organization, which could have a material adverse effect on our sales in such jurisdiction. The termination of distribution by Smith & Nephew in a sufficient number of jurisdictions prior to the time we are able to replace the Smith & Nephew sales organizations being terminated with new independent distributors could have a material adverse effect on our business, financial condition and results of operations.

INTERNATIONAL OPERATIONS -- OUR INTERNATIONAL SALES MAY BE ADVERSELY AFFECTED BY FOREIGN CURRENCY EXCHANGE FLUCTUATIONS AND OTHER RISKS.

Sales in foreign markets, primarily Europe and Japan, represented approximately 16% of our net revenues for the twelve months ended June 29, 1999, with Germany representing approximately one-third of international net revenues. See Note 7 of Notes to Consolidated Financial Statements. We expect that our international sales will increase. See "Business -- Business Strategy." Since our international sales are denominated in U.S. dollars, our operating results are not directly impacted by foreign currency exchange fluctuations. However, the volume and product mix of our international sales may be adversely impacted by foreign currency exchange fluctuations as changes in the rate of exchange between the U.S. dollar and the applicable foreign currency will affect the cost of our products to our foreign customers and thus may impact the overall level of customer purchases or result in the customer purchasing less expensive, lower margin products. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview." In addition, future

sales of our products may be denominated in foreign currencies which would cause currency fluctuations to more directly impact our operating results.

We are also subject to other risks inherent in international operations including political and economic conditions, foreign regulatory requirements, exposure to different legal requirements and standards, potential difficulties in protecting intellectual property, import and export restrictions, increased costs of transportation or shipping, difficulties in staffing and managing

international operations, labor disputes, difficulties in collecting accounts receivable and longer collection periods and potentially adverse tax consequences. As we continue to expand our international business, our success will be dependent, in part, on our ability to anticipate and effectively manage these and other risks. These and other factors may have a material adverse effect on our international operations or on our business, financial condition and results of operations.

INTERNATIONAL OPERATIONS -- OUR LACK OF MANUFACTURING OPERATIONS OUTSIDE THE UNITED STATES MAY CAUSE OUR PRODUCTS TO BE LESS COMPETITIVE IN INTERNATIONAL MARKETS.

We currently have no manufacturing operations in any foreign jurisdiction other than Mexico. The cost of transporting our products to foreign jurisdictions is currently borne by our customers, who are also often required to pay foreign import duties on our products. As a result, the cost of our products to customers who use or distribute them outside the United States is often greater than products manufactured in the local foreign jurisdiction. In addition, foreign manufacturers of competitive products often receive various local tax concessions which lower their overall manufacturing costs. In order to compete successfully in international markets, we may be required to open or acquire manufacturing operations abroad, which would increase our exposure to the risks of doing business in international jurisdictions. We may not be able to successfully operate off-shore manufacturing operations, which could have a material adverse effect on our international operations or on our business, financial condition and results of operations.

NO RECENT PRIOR OPERATIONS AS AN INDEPENDENT COMPANY -- WE ARE NO LONGER A DIVISION OF SMITH & NEPHEW AND MUST NOW PROVIDE FOR CERTAIN ADMINISTRATIVE SERVICES EITHER INTERNALLY OR THROUGH THIRD PARTIES.

Prior to the consummation of the recapitalization, DonJoy operated as a division of Smith & Nephew, which provided DonJoy with certain administrative services, such as legal, tax, treasury, risk management, cash management and benefits administration services. In connection with the recapitalization, Smith & Nephew agreed to provide, as requested by DonJoy, many of these services until December 31, 1999, after which time we are required to provide for such services either internally or through third parties. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview -- Smith & Nephew Allocations and Sales" and "Certain Relationships and Related Transactions -- Other Agreements between DonJoy and Smith & Nephew." As of the date of this prospectus, we have begun to provide most of these services internally. We cannot assure you that we will be able to obtain replacement sources for any of the remaining services previously provided by Smith & Nephew, or that if obtained, we can obtain such services on terms as favorable as those provided by Smith & Nephew. In addition, we cannot assure you that we will be able to achieve the cost

savings presented in the pro forma financial information included in this prospectus.

LOSS OF SMITH & NEPHEW NAME -- WE MAY BE ADVERSELY AFFECTED BECAUSE WE ARE NO LONGER ABLE TO USE THE SMITH & NEPHEW TRADEMARK AND TRADE NAMES.

As a result of the recapitalization, we no longer have the right to use the Smith & Nephew trademark and trade names. We believe that the sale of our products have benefited from the use of the Smith & Nephew trademark and trade names, particularly in international markets where some of our products have been resold by Smith & Nephew sales organizations under Smith & Nephew brand names, as well as in obtaining national contracts with buying groups. The impact on our business and operations of our no longer using such trademarks and trade names cannot be fully predicted and could have a material adverse effect on our business, financial condition and results of operations.

RISKS GENERALLY ASSOCIATED WITH STRATEGIC GROWTH OPPORTUNITIES -- WE INTEND TO PURSUE, BUT MAY NOT BE ABLE TO IDENTIFY, FINANCE OR SUCCESSFULLY COMPLETE STRATEGIC GROWTH OPPORTUNITIES.

One element of our growth strategy is to pursue acquisitions, investments and strategic alliances that either expand or complement our business. We may not be able to identify acceptable opportunities or complete any acquisitions, investments or strategic alliances on favorable terms or in a timely manner. Acquisitions and, to a lesser extent, investments and strategic alliances involve a number of risks, including:

- the diversion of management's attention to the assimilation of the operations and personnel of the new business,

- adverse short-term effects on our operating results, and

- the inability to successfully integrate the new businesses with our

existing business, including financial reporting, management and information technology systems.

In addition, we may require additional debt or equity financings for future acquisitions, investments or strategic alliances which may not be available on favorable terms, if at all. We may not be able to successfully integrate or operate profitably any new business we acquire and we cannot assure you that any other investments we make or strategic alliances we enter into will be successful.

IMPLEMENTATION OF BUSINESS STRATEGY -- IF WE CANNOT SUCCESSFULLY IMPLEMENT OUR BUSINESS STRATEGY, WE MAY NOT BE ABLE TO SERVICE OUR INDEBTEDNESS.

Our business strategy is to:

- increase international sales,

- improve operating efficiencies,

- introduce new products and product enhancements, and

- pursue strategic growth opportunities.

Our ability to achieve our objectives is subject to a variety of factors, many of which are beyond our control, and we may not be successful in implementing our strategy. In addition, the implementation of our strategy may not improve our operating results. We may decide to alter or discontinue certain aspects of our business strategy and may adopt alternative or additional strategies due to

competitive factors or factors not currently foreseen, such as unforeseen costs and expenses or events beyond our control, such as an economic downturn. See "-- Substantial Leverage and Ability to Service and Refinance Debt."

Any failure to successfully implement our business strategy may adversely affect our ability to service our indebtedness, including our ability to make principal and interest payments on the notes.

DEPENDENCE UPON KEY PERSONNEL -- WE MAY BE ADVERSELY AFFECTED IF WE LOSE ANY MEMBER OF OUR SENIOR MANAGEMENT.

We are dependent on the continued services of our senior management team, including Leslie H. Cross, our President and Chief Executive Officer, Cyril Talbot III, our Vice President -- Finance and Chief Financial Officer, and Michael R. McBrayer, our Vice President -- Domestic Sales. The loss of these key personnel could have a material adverse effect on us. See "Management -- Employment Agreements."

COMPETITION -- WE OPERATE IN A VERY COMPETITIVE BUSINESS ENVIRONMENT.

The orthopedic recovery products industry is highly competitive and fragmented. Our competitors include numerous smaller niche companies and a few large, diversified orthopedic companies. Some of our competitors are part of corporate groups that have significantly greater financial, marketing and other resources than us. As such, we may be at a competitive disadvantage with respect to these competitors. Our primary competitors in the rigid knee brace market include DePuy OrthoTech (a division of Johnson & Johnson), Innovation Sports Incorporated, Townsend Industries Inc., Bledsoe Brace Systems (a division of Medical Technology, Inc.) and Generation II USA, Inc. We compete in the non-retail sector of the soft goods products market and our competitors include DeRoyal Industries, Zimmer, Inc. (a division of Bristol-Meyers Squibb Company) and Tecnol Orthopedics (a division of Kimberly Clark Corp.). We compete with a variety of manufacturers of specialty and other orthopedic products, depending on the type of product. In addition, in certain foreign countries, we compete with one or more local competitors.

TECHNOLOGICAL CHANGE -- WE MAY NOT BE ABLE TO DEVELOP AND MARKET NEW PRODUCTS OR PRODUCT ENHANCEMENTS TO REMAIN COMPETITIVE.

Our competitors may develop new medical procedures, technologies or products that are more effective than ours or that would render our technology or products obsolete or uncompetitive which could have a material adverse effect on us. For example, the recent development and use of joint lubricants to treat osteoarthritis in the knee may prove to be an effective alternative to the use of our OA braces.

Further, our ongoing success requires the continued development of new products and the enhancement of our existing products. We may not be able to:

- continue to develop successful new products and enhance existing products,

- obtain required regulatory approvals for such products,

- market such products in a commercially viable manner, or

- gain market acceptance for such products.

Our failure to develop and market new products and product enhancements could have a material adverse effect on our business, financial condition and results of operations. See "Business -- Competition."

PRODUCT LIABILITY EXPOSURE -- WE COULD BE ADVERSELY AFFECTED IF A PRODUCT LIABILITY CLAIM IS BROUGHT AGAINST US AND WE DON'T HAVE ADEQUATE INSURANCE.

The manufacturing and marketing of our products entails risks of product liability and from time to time we have been subject to product liability claims. Although we maintain product liability insurance in amounts which we believe to be reasonable and standard in the industry, the amount and scope of any coverage may be inadequate to protect us in the event of a substantial adverse product liability judgment.

CONCENTRATION OF OWNERSHIP AND CONTROL OF THE COMPANY -- WE ARE CONTROLLED BY CDP, FAIRFIELD CHASE AND THEIR MEMBERS AND THEIR INTERESTS MAY NOT BE ALIGNED WITH YOURS.

As a result of the recapitalization, CDP owns approximately 85.1% of the outstanding voting units of our parent company, DonJoy, which owns all of our equity interests. The members of CDP are CB Capital, First Union Investors, Fairfield Chase and TCW. CB Capital owns a majority of the interests of CDP and Fairfield Chase, which is controlled by Charles T. Orsatti, is the initial managing member of CDP. In addition, through their ownership of Redeemable Preferred Units, CB Capital and First Union Investors also directly own approximately 2.5% of the outstanding voting units of DonJoy and TCW owns approximately 2.5% of the outstanding voting units of DonJoy. Accordingly, CDP, Fairfield Chase, which as managing member initially controls CDP, and their members have the power, subject to certain exceptions, to control us and DonJoy. Under certain circumstances CB Capital can become the managing member of CDP. For a description of the ownership, voting and management arrangements regarding DonJoy and CDP, see "Security Ownership of Certain Beneficial Owners and Management." The interests of CDP, Fairfield Chase and their members may not in all cases be aligned with yours.

PURCHASE OF THE NOTES UPON CHANGE OF CONTROL -- WE MAY NOT HAVE THE ABILITY TO RAISE THE FUNDS NECESSARY TO FINANCE THE CHANGE OF CONTROL OFFER REQUIRED BY THE INDENTURE.

Upon a change of control, we are required to offer to purchase all of the notes then outstanding at 101% of the principal amount thereof plus accrued interest. If a change of control were to occur, we may not have sufficient funds to pay the purchase price for the outstanding notes tendered, and we expect that we would require third-party financing. However, we may not be able to obtain such financing on favorable terms, if at all. In addition, the new credit facility restricts our ability to repurchase the notes, including pursuant to an offer in connection with a change of control. A change of control under the indenture may also result in an event of default under the new credit facility and may cause the acceleration of other senior indebtedness, if any, in which case the subordination provisions of the notes would require payment in full of the new credit facility and any other senior indebtedness before repurchase of the notes. Our future indebtedness may also contain restrictions on our ability to repay the notes upon certain events or transactions that could constitute a change of control under the indenture. The

inability to repay senior indebtedness upon a change of control or to purchase all of the tendered notes, would each constitute an event of default under the indenture. See "Description of the Notes -- Change of Control" and "Description of New Credit Facility."

The change of control provision in the indenture will not necessarily afford you protection in the event of a highly leveraged transaction, including a reorganization, restructuring, merger or other similar transaction involving us, that may adversely affect you. Such transaction may not involve a change in voting power or beneficial ownership, or, even if it does, may not involve a change of the magnitude required under the definition of change of control in the indenture to trigger these provisions. Except as described under "Description of the Notes -- Change of Control", the Indenture does not contain provisions that permit the holders of the notes to require us to repurchase or redeem the notes in the event of a takeover, recapitalization or similar

transaction.

YEAR 2000 -- OUR OPERATIONS MAY BE ADVERSELY AFFECTED BY THE YEAR 2000 PROBLEM.

The "Year 2000" problem relates to computer systems that are designed using two digits, rather than four, to represent a given year. Therefore, such systems may recognize "00" as the year 1900 rather than 2000, possibly resulting in major system failures or miscalculations and causing disruptions in our operations. We have assessed our readiness for the Year 2000 by focusing on four key areas: (1) internal infrastructure readiness, by addressing internal hardware and software, and non-information technology systems; (2) product readiness, by addressing the functionality of the processes by which our products are developed, manufactured and distributed; (3) supplier readiness, by addressing the preparedness of our key suppliers; and (4) customer readiness, by addressing customer support and transactional activity. For each readiness area, we are performing a risk assessment, conducting testing and remediation, developing contingency plans to mitigate unknown risk and communicating with employees, suppliers, customers and other third parties to raise awareness of the Year 2000 issue.

We believe our current remediation and replacement programs will adequately address the Year 2000 issues with respect to our internal systems in all material respects. However, these programs may experience minor disruptions. In addition, our suppliers and customers may not resolve their own Year 2000 issues in a timely manner. We have received written responses from some of our suppliers and customers acknowledging the Year 2000 issue and stating their present intention to be compliant. We have not received responses from all of our suppliers and customers and we cannot assure you that all of our key suppliers or customers will become compliant in time to avoid a disruption to our business which could have a material adverse effect on us. If we or our suppliers or customers fail to completely overcome the Year 2000 issue, our business, financial condition and results of operations could be adversely affected.

During 1998 and the first six months of 1999 we expensed $337,000 for consulting services and software related to compliance with Year 2000 requirements. We estimate that the future costs of complying with the Year 2000 requirements will be approximately $40,000 in additional consulting and software and hardware purchases. Our forecasted costs and the expected completion of

our Year 2000 programs by the end of the third quarter of 1999 are based on our best estimates, which in turn are based on numerous assumptions of future events, including the continued availability and cost of necessary personnel and other resources, third party modification plans and other factors. We cannot be certain that these estimates will be achieved and actual results could differ materially from these estimates.

IMPACT OF ENVIRONMENTAL AND OTHER REGULATION -- WE ARE SUBJECT TO A VARIETY OF ENVIRONMENTAL LAWS AND OTHER REGULATIONS WHICH COULD ADVERSELY AFFECT US.

We are subject to the requirements of federal, state and local environmental and occupational health and safety laws and regulations of the U.S. and foreign countries. We cannot assure you that we have been or will be at all times in complete compliance with all such requirements or that we will not incur material costs or liabilities in connection with such requirements in the future. These requirements are complex, constantly changing and have tended to become more stringent over time. It is possible that these requirements may change or liabilities may arise in the future in a manner that could have a material effect on our business. For more information about our environmental compliance and potential environmental liabilities see "Business -- Environmental and Other Matters."

REGULATION OF FRAUD AND ABUSE IN HEALTH CARE -- WE MAY NEED TO CHANGE OUR BUSINESS PRACTICES TO COMPLY WITH HEALTH CARE FRAUD AND ABUSE REGULATIONS.

We are subject to various federal and state laws pertaining to health care fraud and abuse, including antikickback laws and physician self-referral laws. Violations of these laws are punishable by criminal and/or civil sanctions, including, in some instances, imprisonment and exclusion from participation in federal and state health care programs, including Medicare, Medicaid, VA health programs and CHAMPUS. We have never been challenged by a governmental authority under any of these laws and believe that our operations are in material compliance with such laws. However, because of the far-reaching nature of these laws, we may be required to alter one or more of our practices to be in compliance with these laws. In addition, we cannot assure you that the occurrence of one or more violations of these laws would not result in a material adverse effect on our business, financial condition and results of operations. If there is a change in law, regulation or administrative or judicial interpretations, we may have to change our business practices or our existing business practices could be challenged as unlawful, which could have a material adverse effect on our business, financial condition and results of

operations. See "Business -- Government Regulation."

FRAUDULENT CONVEYANCE STATUTES -- FEDERAL AND STATE LAWS PERMIT A COURT TO VOID THE NOTES AND GUARANTEES UNDER CERTAIN CIRCUMSTANCES.

The new notes will be issued in exchange for the old notes. We used the net proceeds from the offering of the old notes, together with borrowings under the term loan portion of our new credit facility, to purchase the assets and operations of DonJoy. DonJoy used such amounts, together with the proceeds from the issuance of the Common Units to CDP and the Management Members and the Redeemable Preferred Units to repurchase a portion of the equity interests of DonJoy owned by Smith & Nephew. The obligations we incurred under the indenture and the old notes and the obligations incurred by DonJoy under the

indenture and its guarantee may be subject to review under federal bankruptcy law or relevant state fraudulent conveyance and similar statutes in a bankruptcy or reorganization case or lawsuit commenced by or on behalf of our or DonJoy's unpaid creditors. Under these laws, if a court were to find that, at the time we issued the old notes or DonJoy issued its guarantee of the old notes, we or DonJoy, as the case may be:

- incurred such indebtedness with the intent of hindering, delaying or defrauding present or future creditors, or

- received less than the reasonably equivalent value or fair consideration for incurring such indebtedness, and

  - were insolvent or rendered insolvent by reason of any of the Transactions,

  - were engaged or about to engage in a business or transaction for which our or DonJoy's assets constituted unreasonably small capital to carry on our or its business, or

  - intended to incur, or did incur, or believed that we or DonJoy would incur, debts beyond our or its ability to pay as they matured or became due

then, such court might:

- subordinate the notes or DonJoy's guarantee of the notes to our or DonJoy's presently existing or future indebtedness,

- void the issuance of the notes (in our case) or DonJoy's Guarantee, or

- take other actions detrimental to holders of the notes.

The measure of insolvency for purposes of the foregoing will vary depending upon the law of the jurisdiction being applied. However, we or DonJoy generally would be considered insolvent at the time we incurred indebtedness under the old notes or DonJoy issued its guarantee, as the case may be, if either:

- the fair salable value of our or DonJoy's assets, as applicable, were less than the amount required to pay our or DonJoy's probable liability on our or its total existing debts and liabilities (including contingent liabilities) as they become absolute or matured, or

- the sum of our or DonJoy's debts (including contingent liabilities) were greater than our or DonJoy's assets, at fair valuation.

We cannot predict:

- what standard a court would apply in order to determine whether we or DonJoy were insolvent as of the date we or DonJoy issued the old notes or its guarantee, or that regardless of the method of valuation a court would determine that we or DonJoy were insolvent on that date, or

- whether a court would not determine that the payments constituted fraudulent transfers on another ground.

In rendering their opinions in connection with the Transactions, our counsel and counsel to the initial purchaser of the old notes did not express any opinion as to the applicability of federal bankruptcy or state fraudulent transfer and conveyance laws.

To the extent a court voids DonJoy's guarantee as a fraudulent conveyance or holds it unenforceable for any other reason, holders of the notes would cease

to have any claim in respect of DonJoy and would be creditors solely of us.

Based upon financial and other information available to us, we believe that we and DonJoy issued the old notes and the guarantee of the old notes for proper purposes and in good faith and that at the time we and DonJoy issued the old notes and the guarantee of the old notes, we and DonJoy (i) were not insolvent or rendered insolvent thereby, (ii) had sufficient capital to run our business and (iii) were able to pay our debts as they mature or become due. In reaching these conclusions, we relied on various valuations and estimates of future cash flow that necessarily involve a number of assumptions and choices of methodology. However, a court may not adopt the assumptions and methodologies we have chosen or concur with our conclusion as to our solvency.

Additionally, under federal bankruptcy or applicable state insolvency law, if certain bankruptcy or insolvency proceedings were initiated by or against us or DonJoy within 90 days after any payment by us with respect to the notes or by DonJoy under its guarantee of the notes, or if we or DonJoy anticipated becoming insolvent at the time of such payment, all or a portion of such payment could be avoided as a preferential transfer and the recipient of such payment could be required to return such payment.

In the event there are any subsidiary guarantors in the future, the foregoing would apply their guarantees.

FAILURE TO EXCHANGE OLD NOTES -- IF YOU DO NOT PROPERLY TENDER YOUR OLD NOTES, YOU WILL CONTINUE TO HOLD UNREGISTERED OLD NOTES AND YOUR ABILITY TO TRANSFER OLD NOTES WILL BE ADVERSELY AFFECTED.

We will only issue new notes in exchange for old notes that are timely received by the exchange agent together with all required documents, including a properly completed and signed letter of transmittal. Therefore, you should allow sufficient time to ensure timely delivery of the old notes and you should carefully follow the instructions on how to tender your old notes. Neither we nor the exchange agent are required to tell you of any defects or irregularities with respect to your tender of the old notes. If you do not tender your old notes or if we do not accept your old notes because you did not tender your old notes properly, then, after we consummate the exchange offer, you will continue to hold old notes that are subject to the existing transfer restrictions and, except in certain limited circumstances, you will no longer have any registration rights or be entitled to any liquidated damages with respect to the old notes. In addition:

- if you tender your old notes for the purpose of participating in a distribution of the new notes, you will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the new notes, and

- if you are a broker-dealer that receives new notes for your own account in exchange for old notes that you acquired as a result of market-making activities or any other trading activities, you will be required to acknowledge that you will deliver a prospectus in connection with any resale of those new notes.

We have agreed that, for a period of 180 days after the exchange offer is consummated, we will make this prospectus available to any broker-dealer for use in connection with any such resale.

After the exchange offer is consummated, if you continue to hold any old notes, you may have difficulty selling them because there will be less old notes outstanding. In addition, if a large amount of old notes are not tendered or are tendered improperly, the limited amount of new notes that would be issued and outstanding after we consummate the exchange offer could lower the market price of such new notes.

NO PRIOR MARKET FOR THE NEW NOTES -- YOU CANNOT BE SURE THAT AN ACTIVE TRADING MARKET WILL DEVELOP FOR THE NEW NOTES.

The new notes are a new issue of securities with no established trading market and will not be listed on any securities exchange. The liquidity of the trading market in the new notes, and the market price quoted for the new notes, may be adversely affected by changes in the overall market for high yield securities and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, you cannot be sure that an active trading market will develop for the new notes.

THE TRANSACTIONS

On June 30, 1999, DonJoy consummated a recapitalization pursuant to a recapitalization agreement dated as of April 29, 1999 among CDP, Smith & Nephew and DonJoy. As a result of the recapitalization, CDP, Smith & Nephew, the Management Members and the holders of the Redeemable Preferred Units own approximately 85.1%, 7.1%, 2.5% and 5.3%, respectively, of the outstanding voting Units of DonJoy.

Pursuant to the recapitalization, CDP made a $64.6 million cash investment in the common units of DonJoy. The Management Members also made a $1.8 million investment in the Common Units of DonJoy, $1.4 million of which was financed by loans from DonJoy. In addition, DonJoy issued the Redeemable Preferred Units for an aggregate purchase price of $31.4 million, with CB Capital purchasing approximately $21.2 million and First Union Investors purchasing approximately $10.2 million of such Redeemable Preferred Units before payment of $1.4 million of fees to them on a pro rata basis. DonJoy sold all of its assets (other than the cash proceeds from the equity contribution by CDP and the Management Members and the issuance of the Redeemable Preferred Units) to the Company. The Company funded the asset sale using the proceeds from the offering of the old notes and $15.5 million of borrowings under the new credit facility. DonJoy used the $208.5 million of proceeds from the asset sale, the issuance of the Redeemable Preferred Units and the issuance of the Common Units to CDP and the Management Members (excluding $1.4 million which was financed through loans to the Management Members to repurchase from Smith & Nephew its Common Units in DonJoy (other than a retained interest of approximately 7.1%) for approximately $199.8 million, subject to adjustment as described below, and to pay transaction fees and expenses of $8.7 million. The consideration paid to Smith & Nephew will be increased (decreased) on a dollar for dollar basis to the extent the value of our net operating assets (as defined in the recapitalization agreement) on the closing date of the recapitalization exceeded (was less than) $33.4 million.

The sources and uses of funds for the recapitalization are presented in the following table:

<TABLE>
<CAPTION>

	AMOUNT (DOLLARS IN MILLIONS)
<S>	<C>
SOURCES:	
New credit facility(a)	$ 15.5
Old notes	98.0
Redeemable Preferred Units(b)	30.0
Common Unit investment in DonJoy by CDP	64.6
Retained Common Unit investment in DonJoy by Smith & Nephew	5.4
Common Unit investment in DonJoy by Management Members	1.8
Total sources	$215.3

</TABLE>

<TABLE>
<CAPTION>

	AMOUNT (DOLLARS IN MILLIONS)
<S>	<C>
USES:	
Consideration paid to Smith & Nephew	$199.8
Retained Common Unit investment in DonJoy by Smith & Nephew	5.4
Loans to Management Members	1.4
Fees and expenses	8.7
Total uses	$215.3

</TABLE>

(a) Represents the $15.5 million term loan borrowed under the new credit facility to consummate the recapitalization. The new credit facility also provides for borrowings of up to $25.0 million under the revolving credit facility for working capital and general corporate purposes, including to finance acquisitions, investments and strategic alliances.

(b) Represents $31.4 million of proceeds received from the sale of Redeemable

Preferred Units, net of $1.4 million of fees paid to CB Capital and First Union Investors on a pro rata basis.

The loans to the Management Members bear interest at the rate of 5.3% and have a seven year maturity. Annual interest payments are required until the maturity date, at which time the entire principal amount of the loan must be repaid. The loans to the Management Members are full recourse and secured by a pledge of the Common Units issued to the applicable Management Members.

In connection with the recapitalization, DonJoy and Smith & Nephew entered into agreements providing for the continuation or transfer and transition of certain aspects of the Company's business operations. See "Certain Relationships and Related Transactions -- Additional Agreements between DonJoy and Smith & Nephew."

Upon consummation of the recapitalization, DonJoy adopted an option plan entitling certain members of management to acquire, subject to certain conditions, up to approximately 15% of DonJoy's equity interests on a fully diluted basis. See "Management -- 1999 Option Plan."

On July 30, 1999, CB Capital and First Union Investors each transferred to TCW approximately $5.0 million of Redeemable Preferred Units of DonJoy and $1.8 million and $0.2 million, respectively, of membership interests in CDP.

THE EXCHANGE OFFER

PURPOSE AND EFFECT OF THE EXCHANGE OFFER

We and DonJoy have entered into an exchange and registration rights agreement with the initial purchaser of the old notes in which we and DonJoy agreed, under certain circumstances, to file a registration statement relating to an offer to exchange the old notes for new notes. The registration statement of which this prospectus forms a part was filed in compliance with this obligation. We also agreed to use our reasonable best efforts to cause the exchange offer to be consummated within 225 days following the original issuance of the old notes. The new notes will have terms substantially identical to the old notes except that the new notes will not contain terms with respect to transfer restrictions, registration rights and liquidated damages for failure to observe certain obligations in the exchange and registration rights agreement. The old notes were issued on June 30, 1999.

Under the circumstances set forth below, we will use our reasonable best efforts to cause the SEC to declare effective a shelf registration statement with respect to the resale of the old notes and keep the shelf registration statement effective for up to two years after the effective date of the shelf registration statement. These circumstances include:

- if pursuant to any changes in law, SEC rules or regulations or applicable interpretations thereof by the staff of the SEC do not permit us to effect the exchange offer as contemplated by the exchange and registration rights agreement;

- if any old notes validly tendered in the exchange offer are not exchanged for new notes within 225 days after the original issue of the old notes;

- if the initial purchaser of the old notes so requests (but only with respect to any old notes not eligible to be exchanged for new notes in the exchange offer); or

- if any holder of the old notes notifies us that it is not permitted to participate in the exchange offer or would not receive fully tradable new notes pursuant to the exchange offer.

Each holder of old notes that wishes to exchange old notes for transferable new notes in the exchange offer will be required to make the following representations:

- any new notes will be acquired in the ordinary course of its business;

- such holder has no arrangement or understanding with any person to participate in the distribution of the new notes; and

- such holder is not our "affiliate," as defined in Rule 405 of the Securities Act, or, if it is an affiliate, that it will comply with applicable registration and prospectus delivery requirements of the Securities Act.

RESALE OF NEW NOTES

Based on interpretations of the SEC staff set forth in no action letters issued to unrelated third parties, we believe that new notes issued in the exchange offer in exchange for old notes may be offered for resale, resold and otherwise transferred by any new note holder without compliance with the registration and prospectus delivery provisions of the Securities Act, if:

- such holder is not an "affiliate" of ours within the meaning of Rule 405 under the Securities Act;

- such new notes are acquired in the ordinary course of the holder's business; and

- the holder does not intend to participate in the distribution of such new notes.

Any holder who tenders in the exchange offer with the intention of participating in any manner in a distribution of the new notes:

- cannot rely on the position of the staff of the SEC enunciated in "Exxon Capital Holdings Corporation" or similar interpretive letters; and

- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction.

This prospectus may be used for an offer to resell, for the resale or for other retransfer of new notes only as specifically set forth in this prospectus. With regard to broker-dealers, only broker-dealers that acquired the old notes as a result of market-making activities or other trading activities may participate in the exchange offer. Each broker-dealer that receives new notes for its own account in exchange for old notes, where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the new notes. Please read the section captioned "Plan of Distribution" for more details regarding the transfer of new notes.

TERMS OF THE EXCHANGE OFFER

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, we will accept for exchange any old notes properly tendered and not withdrawn prior to the expiration date. We will issue $1,000 principal amount of new notes in exchange for each $1,000 principal amount of old notes surrendered under the exchange offer. Old notes may be tendered only in integral multiples of $1,000.

The form and terms of the new notes will be substantially identical to the form and terms of the old notes except the new notes will be registered under the Securities Act, will not bear legends restricting their transfer and will not provide for any liquidated damages upon failure of the Issuers to fulfill their obligations under the exchange and registration rights agreement to file, and cause to be effective, a registration statement. The new notes will evidence the same debt as the old notes. The new notes will be issued under and entitled to the benefits of the same indenture that authorized the issuance of the old notes. Consequently, both series will be treated as a single class of debt securities under that indenture.

The exchange offer is not conditioned upon any minimum aggregate principal amount of old notes being tendered for exchange.

As of the date of this prospectus, $100.0 million aggregate principal amount of the old notes are outstanding. This prospectus and the letter of transmittal are being sent to all registered holders of old notes. There will be no fixed record date for determining registered holders of old notes entitled to participate in the exchange offer.

We intend to conduct the exchange offer in accordance with the provisions of the exchange and registration rights agreement, the applicable requirements of the Securities Act and the Securities Exchange Act of 1934 and the rules and regulations of the SEC. Old notes that are not tendered for exchange in the exchange offer will remain outstanding and continue to accrue interest and will be entitled to the rights and benefits such holders have under the indenture relating to the old notes.

We will be deemed to have accepted for exchange properly tendered old notes when we have given oral or written notice of the acceptance to the exchange agent. The exchange agent will act as agent for the tendering holders for the purposes of receiving the new notes from the Issuers and delivering exchange notes to such holders. Subject to the terms of the exchange and registration rights agreement, we expressly reserve the right to amend or terminate the exchange offer, and not to accept for exchange any old notes not previously

accepted for exchange, upon the occurrence of any of the conditions specified below under the caption "-- Certain Conditions to the Exchange Offer."

Holders who tender old notes in the exchange offer will not be required to pay brokerage commissions or fees, or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of old notes. We will pay all charges and expenses, other than certain applicable taxes described below, in connection with the exchange offer. It is important that you read the section labeled "-- Fees and Expenses" below for more details regarding fees and expenses incurred in the exchange offer.

EXPIRATION DATE; EXTENSIONS; AMENDMENTS

The exchange offer will expire at 5:00 p.m., New York City time on , 1999, unless we extend it in our sole discretion.

In order to extend the exchange offer, we will notify the exchange agent orally or in writing of any extension. We will notify the registered holders of old notes of the extension no later than 9:00 a.m., New York City time, on the business day after the previously scheduled expiration date.

We reserve the right, in our sole discretion:

- to delay accepting for exchange any old notes;

- to extend the exchange offer or to terminate the exchange offer and to refuse to accept old notes not previously accepted if any of the conditions set forth below under "-- Certain Conditions to the Exchange Offer" have not been satisfied, by giving oral or written notice of such delay, extension or termination to the exchange agent; or

- subject to the terms of the exchange and registration rights agreement, to amend the terms of the exchange offer in any manner.

Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice thereof to the registered holders of old notes. If we amend the exchange offer in a manner that we determine to constitute a material change, we will promptly disclose such amendment in a manner reasonably calculated to inform the holders of old notes of such amendment.

Without limiting the manner in which we may choose to make public announcements of any delay in acceptance, extension, termination or amendment of the exchange offer, we shall have no obligation to publish, advertise, or otherwise communicate any such public announcement, other than by making a timely release to a financial news service.

CERTAIN CONDITIONS TO THE EXCHANGE OFFER

Despite any other term of the exchange offer, we will not be required to accept for exchange, or exchange any new notes for, any old notes, and we may terminate the exchange offer as provided in this prospectus before accepting any old notes for exchange if in our reasonable judgment:

- the new notes to be received will not be tradable by the holder without restriction under the Securities Act or the Exchange Act and without material restrictions under the blue sky or securities laws of substantially all of the states of the United States;

- the exchange offer, or the making of any exchange by a holder of old notes, would violate applicable law or any applicable interpretation of the staff of the SEC; or

- any action or proceeding has been instituted or threatened in any court or by or before any governmental agency with respect to the exchange offer that, in our judgment, would reasonably be expected to impair our ability to proceed with the exchange offer.

In addition, we will not be obligated to accept for exchange the old notes of any holder that has not made:

- the representations described under "-- Purpose and Effect of the Exchange Offer", "-- Procedures for Tendering" and "Plan of Distribution", and

- such other representations as may be reasonably necessary under applicable SEC rules, regulations or interpretations to make available to us an appropriate form for registration of the new notes under the Securities Act.

We expressly reserve the right, at any time or at various times, to extend

the period of time during which the exchange offer is open. Consequently, we may delay acceptance of any old notes by giving oral or written notice of such extension to the registered holders of the old notes. During any such extensions, all old notes previously tendered will remain subject to the exchange offer, and we may accept them for exchange unless they have been previously withdrawn. We will return any old notes that we do not accept for exchange for any reason

without expense to their tendering holder as promptly as practicable after the expiration or termination of the exchange offer.

We expressly reserve the right to amend or terminate the exchange offer, and to reject for exchange any old notes not previously accepted for exchange, upon the occurrence of any of the conditions of the exchange offer specified above. We will give oral or written notice of any extension, amendment, non-acceptance or termination to the registered holders of the old notes as promptly as practicable. In the case of any extension, such notice will be issued no later than 9:00 a.m., New York City time, on the business day after the previously scheduled expiration date.

These conditions are for our sole benefit and we may assert them regardless of the circumstances that may give rise to them or waive them in whole or in part at any or at various times in our sole discretion. If we fail at any time to exercise any of the foregoing rights, that failure will not constitute a waiver of such right. Each such right will be deemed an ongoing right that we may assert at any time or at various times.

In addition, we will not accept for exchange any old notes tendered, and will not issue new notes in exchange for any such old notes, if at such time any stop order is threatened or in effect with respect to the registration statement of which this prospectus constitutes a part or the qualification of the indenture under the Trust Indenture Act of 1939.

PROCEDURES FOR TENDERING

Only a holder of old notes may tender such old notes in the exchange offer. To tender in the exchange offer, a holder must:

- complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal; have the signature on the letter of transmittal guaranteed if the letter of transmittal so requires; and mail or deliver such letter of transmittal or facsimile to the exchange agent prior to the expiration date; or

- comply with DTC's Automated Tender Offer Program procedures described below.

In addition, either:

- the exchange agent must receive old notes along with the letter of transmittal; or

- the exchange agent must receive, prior to the expiration date, a timely confirmation of book-entry transfer of such old notes into the exchange agent's account at DTC according to the procedures for book-entry transfer described below or a properly transmitted agent's message; or

- the holder must comply with the guaranteed delivery procedures described below.

To be tendered effectively, the exchange agent must receive any physical delivery of the letter of transmittal and other required documents at the address set forth below under "-- Exchange Agent" prior to the expiration date.

The tender by a holder that is not withdrawn prior to the expiration date will constitute an agreement between such holder and us in accordance with the terms

and subject to the conditions set forth in this prospectus and in the letter of transmittal.

The method of delivery of old notes, the letter of transmittal and all other required documents to the exchange agent is at the holder's election and risk. Rather than mail these items, the Issuers recommend that holders use an overnight or hand delivery service. In all cases, holders should allow sufficient time to assure delivery to the exchange agent before the expiration date. Holders should not send the letter of transmittal or old notes to the

Issuers. Holders may request their respective brokers, dealers, commercial banks, trust companies or other nominees to effect the above transactions for them.

Any beneficial owner whose old notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact the registered holder promptly and instruct it to tender on the owners' behalf. If such beneficial owner wishes to tender on its own behalf, it must, prior to completing and executing the letter of transmittal and delivering its old notes; either:

- make appropriate arrangements to register ownership of the old notes in such owner's name; or

- obtain a properly completed bond power from the registered holder of old notes.

The transfer of registered ownership may take considerable time and may not be completed prior to the expiration date.

Signatures on a letter of transmittal or a notice of withdrawal described below must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or another "eligible institution" within the meaning of Rule 17Ad-15 under the Exchange Act, unless the old note tendered pursuant thereto are tendered:

- by a registered holder who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the letter of transmittal; or

- for the account of an eligible institution.

If the letter of transmittal is signed by a person other than the registered holder of any old notes listed on the old notes, such old notes must be endorsed or accompanied by a properly completed bond power. The bond power must be signed by the registered holder as the registered holder's name appears on the old notes and an eligible institution must guarantee the signature on the bond power.

If the letter of transmittal or any old notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing. Unless waived by the Issuers, they should also submit evidence satisfactory to the Issuers of their authority to deliver the letter of transmittal.

The exchange agent and DTC have confirmed that any financial institution that is a participant in DTC's system may use DTC's Automated Tender Offer program to tender. Participant in the program may, instead of physically completing and signing the letter of transmittal and delivering it to the exchange agent, transmit their acceptance of the exchange offer electronically. They may do so by causing DTC to transfer the old notes to the exchange agent in accordance with its procedures for transfer. DTC will then send an agent's message to the exchange agent. The term "agent's message" means a message transmitted by DTC, received by the exchange agent and forming part of the book-entry confirmation, to the effect that:

- DTC has received an express acknowledgment from a participant in its Automated Tender Offer Program that is tendering old notes that are the subject of such book-entry confirmation;

- such participant has received and agrees to be bound by the terms of the letter of transmittal (or, in the case of an agent's message relating to guaranteed delivery, that such participant has received and agrees to be bound by the applicable notice of guaranteed delivery); and

- the agreement may be enforced against such participant.

The Issuers will determine in their sole discretion all questions as to the validity, form, eligibility (including time of receipt), acceptance of tendered old notes and withdrawal of tendered old notes. Our determination will be final and binding. We reserve the absolute right to reject any old notes not properly tendered or any old notes the acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tender as to particular old notes. Our interpretation of the terms and conditions of the exchange offer (including the instructions in the letter of transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of old notes must be cured within such time as we shall determine. Although we

intend to notify holders of defects or irregularities with respect to tenders of old notes, neither we, the exchange agent nor any other person will incur any liability for failure to give such notification. Tenders of old notes will not be deemed made until such defects or irregularities have been cured or waived. Any old notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned to the exchange agent without cost to the tendering holder, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date.

In all cases, the Issuers will issue new notes for old notes that they have accepted for exchange under the exchange offer only after the exchange agent timely receives:

- old notes or a timely book-entry confirmation of such old notes into the exchange agent's account at DTC; and

- a properly completed and duly executed letter of transmittal and all other required documents or a properly transmitted agent's message.

By signing the letter of transmittal, each tendering holder of old notes will represent to the Issuers that, among other things:

- any new notes that the holder receives will be acquired in the ordinary course of its business;

- the holder has no arrangement or understanding with any person or entity to participate in the distribution of the new notes;

- if the holder is not a broker-dealer, that it is not engaged in and does not intend to engage in the distribution of the new notes;

- if the holder is a broker-dealer that will receive new notes for its own account in exchange for old notes that were acquired as a result of market-making activities, that it will deliver a prospectus, as required by law, in connection with any resale of such new notes; and

- the holder is not an "affiliate", as defined in Rule 405 of the Securities Act, of either of the Issuers or, if the holder is an affiliate, it will comply with any applicable registration and prospectus delivery requirements of the Securities Act.

BOOK-ENTRY TRANSFER

The exchange agent will make a request to establish an account with respect to the old notes at DTC for purposes of the exchange offer promptly after the date of this prospectus; and any financial institution participant in DTC's system may make book-entry delivery of old notes by causing DTC to transfer such old notes into the exchange agent's account at DTC in accordance with DTC's procedures for transfer. Holders of old notes who are unable to deliver confirmation of the book-entry tender of their old notes into the exchange agent's account at DTC or all other documents of transmittal to the exchange agent on or prior to the expiration date must tender their old notes according to the guaranteed delivery procedures described below.

GUARANTEED DELIVERY PROCEDURES

Holders wishing to tender their old notes but whose old notes are not immediately available or who cannot deliver their old notes, the letter of transmittal or any other required documents to the exchange agent or comply with the applicable procedures under DTC's Automated Tender Offer Program prior to the expiration date may tender if:

- the tender is made through an eligible institution;

- prior to the expiration date, the exchange agent receives from such eligible institution either a properly completed and duly executed notice of guaranteed delivery (by facsimile transmission, mail or hand delivery) or a properly transmitted agent's message and notice of guaranteed delivery:

  -- setting forth the name and address of the holder, the registered number(s) of such old notes and the principal amount of old notes tendered;

  -- stating that the tender is being made thereby; and

-- guaranteeing that, within three (3) New York Stock Exchange trading days after the expiration date, the letter of transmittal (or facsimile thereof) together with the old notes or a book-entry confirmation, and any other documents required by the letter of transmittal will be deposited by the eligible institution with the exchange agent; and

- the exchange agent receives such properly completed and executed letter of transmittal (or facsimile thereof), as well as all tendered old notes in proper form for transfer or a book-entry confirmation, and all other documents required by the letter of transmittal, within three (3) New York State Exchange trading days after the expiration date.

Upon request to the exchange agent, a notice of guaranteed delivery will be sent to holders who wish to tender their old notes according to the guaranteed delivery procedures set forth above.

WITHDRAWAL OF TENDERS

Except as otherwise provided in this prospectus, holders of old notes may withdraw their tenders at any time prior to the expiration date.

For a withdrawal to be effective:

- the exchange agent must receive a written notice (which may be by telegram, telex, facsimile transmission or letter) of withdrawal at one of the addresses set forth below under "-- Exchange Agent", or

- holders must comply with the appropriate procedures of DTC's Automated Tender Offer Program system.

Any such notice of withdrawal must:

- specify the name of the person who tendered the old notes to be withdrawn;

- identify the old notes to be withdrawn (including the principal amount of such old notes); and

- where certificates for old notes have been transmitted, specify the name in which such old notes were registered, if different from that of the withdrawing holder.

If certificates for old notes have been delivered or otherwise identified to the exchange agent, then, prior to the release of such certificates, the withdrawing holder must also submit:

- the serial numbers of the particular certificates to be withdrawn; and

- a signed notice of withdrawal with signatures guaranteed by an eligible institution unless such holder is an eligible institution.

If old notes have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn old notes and otherwise comply with the procedures of such facility. We will determine all questions as to the validity, form and eligibility (including time of receipt) of such notices, and our determination shall be final and binding on all parties. We will deem any old notes so withdrawn not to have validity tendered for exchange for

purposes of the exchange offer. Any old notes that have been tendered for exchange but that are not exchanged for any reason will be returned to their holder without cost to the holder (or, in the case of old notes tendered by book-entry transfer into the exchange agent's account at DTC according to the procedures described above, such old notes will be credited to an account maintained with DTC for old notes) as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn old notes may be retendered by following one of the procedures described under "Procedures for Tendering" above at any time on or prior to the expiration date.

EXCHANGE AGENT

The Bank of New York has been appointed as exchange agent for the exchange offer. You should direct questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for the notice of guaranteed delivery to the exchange agent addressed as follows:

For Overnight Delivery, Delivery by Hand
or Delivery by Registered or Certified Mail:

The Bank of New York
101 Barclay St., Floor 7E
New York, NY 10286
Attn: Reorganization Section

By Facsimile Transmission
(for eligible institutions only):

(212) 815-6339

Confirm facsimile by telephone only:

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DELIVERY OF THE LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY OF SUCH LETTER OF TRANSMITTAL.

FEES AND EXPENSES

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail; however, we may make additional solicitations by telegraph, telephone or in person by its officers and regular employees and those of our affiliates.

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to broker-dealers or others soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and reimburse it for its related reasonable out-of-pocket expenses.

Our expenses in connection with the exchange offer include:

- SEC registration fees;

- fees and expenses of the exchange agent and trustee;

- accounting and legal fees and printing costs; and

- related fees and expenses.

TRANSFER TAXES

The Issuers will pay all transfer taxes, if any, applicable to the exchange of old notes under the exchange offer. The tendering holder, however, will be required to pay any transfer taxes (whether imposed on the registered holder or any other person) if:

- certificates representing old notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of old notes tendered;

- tendered old notes are registered in the name of any person other than the person signing the letter of transmittal; or

- a transfer tax is imposed for any reason other than the exchange of old notes under the exchange offer.

If satisfactory evidence of payment of such taxes is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed to that tendering holder.

Holders who tender their old notes for exchange will not be required to pay any transfer taxes. However, holders who instruct the Issuers to register new notes in the name of, or request that old notes not tendered or not accepted in the exchange offer be returned to, a person other than the registered tendering holder will be required to pay any applicable transfer tax.

CONSEQUENCES OF FAILURE TO EXCHANGE

Holders of old notes who do not exchange their old notes for new notes under the exchange offer will remain subject to the restrictions on transfer applicable to the old notes:

- as set forth in the legend printed on the old notes as a consequence of the issuance of the old notes pursuant to the exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws; and

- otherwise as set forth in the offering memorandum distributed in

connection with the private offering of the old notes.

In general, you may not offer or sell the old notes unless they are registered under the Securities Act, or if the offer or sale is exempt from registration under the Securities Act and applicable state securities laws. Except as required by the exchange and registration rights agreement, the Issuers do not intend to register resales of the old notes under the Securities Act. Based on interpretations of the SEC staff, new notes issued pursuant to the exchange offer may be offered for

resale, resold or otherwise transferred by their holders (other than any such holder that is our "affiliate" within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that the holders acquired the new notes in the ordinary course of the holders' business and the holders have no arrangement or understanding with respect to the distribution of the new notes to be acquired in the exchange offer. Any holder who tenders in the exchange offer for the purpose of participating in a distribution of the new notes:

- could not rely on the applicable interpretations of the SEC; and

- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction.

ACCOUNTING TREATMENT

The Issuers will record the new notes in their accounting records at the same carrying value as the old notes, as reflected in our accounting records on the date of exchange. Accordingly, the Issuers will not recognize any gain or loss for accounting purposes in connection with the exchange offer. The Issuers will record the expenses of the exchange offer as incurred.

OTHER

Participation in the exchange offer is voluntary, and you should carefully consider whether to accept. You are urged to consult your financial and tax advisors in making your own decision on what action to take.

The Issuers may in the future seek to acquire untendered old notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. The Issuers have no present plans to acquire any old notes that are not tendered in the exchange offer or to file a registration statement to permit resales of any untendered old notes.

USE OF PROCEEDS

We will not receive any cash proceeds from the issuance of the new notes. In consideration for issuing the new notes as contemplated in this prospectus, we will receive in exchange old notes in like principal amount, which will be canceled and as such will not result in any increase in our indebtedness.

CAPITALIZATION

The following table sets forth DonJoy's consolidated capitalization as of June 29, 1999 on an historical basis and a pro forma basis adjusted to give effect to the Transactions as if they had been consummated on such date. This table should be read in conjunction with the consolidated financial statements, including the notes thereto, "The Transactions," "Unaudited Pro Forma Consolidated Financial Data," "Selected Historical Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

<TABLE>
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	AS OF JUNE 29, 1999	
	HISTORICAL	PRO FORMA
	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
Cash	$ 1,086	$ --
Debt:		

New credit facility(a)	$ --	$ 15,500
Old notes(b)	--	97,953
Total debt	--	113,453
Redeemable preferred units(c)	--	30,000
Members' equity (deficit)	64,586	(71,667)
Total capitalization	$64,586	$ 71,786

</TABLE>

(a) Represents the $15.5 million term loan borrowed under the new credit facility to consummate the recapitalization. Up to $25.0 million is available under the revolving credit facility for working capital and general corporate purposes, including to finance acquisitions, investments and strategic alliances.

(b) Net of unamortized debt discount of approximately $2.0 million.

(c) Represents $31.4 million of proceeds received from the sale of Redeemable Preferred Units, net of $1.4 million of fees paid. The $1.4 million of fees will be accreted as dividends over the term of the Redeemable Preferred Units. The Redeemable Preferred Units were issued by DonJoy. See "The Transactions."

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table presents selected historical consolidated financial and other data of DonJoy as of and for the dates and periods indicated. DonJoy is a guarantor of the notes and of the new credit facility and has no material assets or operations other than its ownership of 100% of our equity interests. As a result, the consolidated financial position and results of operations of DonJoy are substantially the same as those of the Company. The historical consolidated financial data at December 31, 1997 and 1998 and for the years ended December 31, 1996, 1997 and 1998 are derived from the audited consolidated financial statements of DonJoy and the related notes thereto included elsewhere in this prospectus. The historical financial data at December 31, 1996 (audited) and at and for the years ended December 31, 1994 (unaudited) and 1995 (unaudited) are derived from consolidated financial statements of DonJoy that are not included in this prospectus. In September 1995, the Company acquired Professional Care Products Incorporated and its operating results have been included in DonJoy's consolidated financial statements since the date of acquisition. The selected financial data at and for the six-month periods ended June 27, 1998 and June 29, 1999 are derived from the unaudited consolidated financial statements of DonJoy and the related notes thereto included elsewhere in this prospectus (except for the balance sheet data at June 27, 1998 which is not included in this prospectus). In the opinion of management of DonJoy, the unaudited consolidated financial data reflect all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position and results of operations for the unaudited periods. The results of operations for the interim periods are not necessarily indicative of operating results for the full year. The consolidated financial data set forth below should be read in conjunction with the historical consolidated financial statements and the related notes thereto, "Unaudited Pro Forma Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," all included elsewhere in this prospectus.

<TABLE>
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	YEARS ENDED DECEMBER 31,					SIX MONTHS ENDED	
	1994	1995	1996	1997	1998	JUNE 27, 1998	JUNE 29, 1999
	(DOLLARS IN THOUSANDS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF INCOME DATA:							
Net revenues	$59,134	$67,756	$83,112	$92,741	$101,169	$48,044	$54,653
Cost of goods sold(a)	20,471	25,193	36,396	39,030	46,329	22,096	25,642
Gross profit	38,663	42,563	46,716	53,711	54,840	25,948	29,011
Operating expenses(a):							
Sales and marketing	17,318	18,148	20,067	22,878	25,296	12,001	13,371
General and administrative	7,932	10,178	12,941	15,802	16,484	8,269	8,773
Research and development	1,767	1,808	1,766	2,055	2,248	1,201	1,048
Restructuring costs(b)	--	--	--	--	2,467	2,467	--

Total operating expenses	27,017	30,134	34,774	40,735	46,495	23,938	23,192
Income from operations	11,646	12,429	11,942	12,976	8,345	2,010	5,819
Interest income (expense), net	297	(989)	(2,459)	(2,072)	--	--	--
Income before income taxes	11,943	11,440	9,483	10,904	8,345	2,010	5,819

</TABLE>

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	YEARS ENDED DECEMBER 31,					SIX MONTHS ENDED	
						JUNE 27,	JUNE 29,
	1994	1995	1996	1997	1998	1998	1999
	(DOLLARS IN THOUSANDS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Provision for income taxes	4,902	4,535	3,828	4,367	3,394	817	2,387
Net income	$ 7,041	$ 6,905	$ 5,655	$ 6,537	$ 4,951	$ 1,193	$ 3,432
OTHER DATA:							
EBITDA(c)	$13,574	$15,183	$16,584	$17,779	$ 15,665	$ 6,934	$ 8,270
Adjusted EBITDA(d)	NM	NM	19,187	22,090	21,957	10,058	11,498
Depreciation and amortization	1,928	2,754	4,642	4,803	4,853	2,457	2,451
Capital expenditures	1,758	1,044	1,848	2,273	3,189	2,742	515
Ratio of earnings to fixed charges(e)	32.71x	8.45x	3.94x	4.83x	8.84x	3.61x	15.79x
BALANCE SHEET DATA (AT END OF PERIOD):							
Cash	$ 347	$ 718	$ 557	$ 910	$ 809	$ 285	$ 1,086
Working capital	7,253	8,511	9,675	9,749	15,625	11,744	23,533
Total assets	31,172	73,184	70,787	71,288	77,056	75,413	75,560
Obligations to Smith & Nephew (including current portion)	2,824	44,456	53,428	45,027	45,227	46,853	1,628
Total equity	19,183	12,593	1,344	7,881	12,832	9,074	64,586

</TABLE>

NM: Not meaningful

(a) Includes various charges and overhead allocations from Smith & Nephew. See note (d) below.

(b) DonJoy recorded restructuring costs in 1998 relating to the consolidation of its operations at its Vista, California facility. See Note 4 of Notes to Consolidated Financial Statements, "Unaudited Pro Forma Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview -- Manufacturing Cost Reduction Initiatives."

(c) "EBITDA" is defined as income from operations plus restructuring costs, and depreciation and amortization. EBITDA is not a measure of performance under generally accepted accounting principles. EBITDA should not be considered in isolation or as a substitute for net income, cash flows from operating activities and other income or cash flow statement data prepared in accordance with generally accepted accounting principles, or as a measure of profitability or liquidity. However, management has included EBITDA because it may be used by certain investors to analyze and compare companies on the basis of operating performance, leverage and liquidity and to determine a company's ability to service debt. The Company's definition of EBITDA may not be comparable to that of other companies.

(d) "Adjusted EBITDA" represents EBITDA (as defined above) adjusted to eliminate

(1) charges for brand royalties paid by DonJoy to Smith & Nephew for use of the Smith & Nephew trademarks and trade names;

(2) foreign sales corporation commissions paid by DonJoy on sales to foreign sales corporations established by Smith & Nephew for tax planning purposes;

(3) Smith & Nephew overhead allocations for corporate managed accounts and new business expense and corporate management expense which will not be incurred following consummation of the Recapitalization (the "Eliminated Allocations");

(4) Smith & Nephew overhead allocations for research and development and for amounts charged by Smith & Nephew for services provided to DonJoy for finance (risk management, treasury, audit and taxes), human resources and payroll and legal services (collectively, the "Other Corporate Allocations");

and adjusted to include the estimated costs expected to be incurred by DonJoy to replace the services previously provided by Smith & Nephew as part of the Other Corporate Allocations.

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED	
	1996	1997	1998	JUNE 27, 1998	JUNE 29, 1999
<S>	<C>	<C>	<C>	<C>	<C>
EBITDA.....	$16,584	$17,779	$15,665	$ 6,934	$ 8,270
Brand royalties.....	1,274	1,605	3,249	1,603	1,817
Foreign sales corporation commissions.....	492	661	439	219	--
Eliminated Allocations....	836	1,652	1,726	863	979
Other Corporate Allocations.....	801	1,193	1,678	839	832
Estimated costs to replace Smith & Nephew services.....	(800)	(800)	(800)	(400)	(400)
Adjusted EBITDA.....	$19,187	$22,090	$21,957	$10,058	$11,498

</TABLE>

Adjusted EBITDA does not reflect adjustments for Smith & Nephew allocations for bonus, pension and insurance or payroll taxes and benefits or charges for direct legal expenses incurred by Smith & Nephew on DonJoy's behalf, which costs and expenses DonJoy believes it would have incurred in approximately the same amounts on a stand-alone basis, and are of a nature it will continue to incur following the recapitalization. Accordingly, no adjustments for these items have been made. For a more complete description of the corporate charges and allocations, the services performed by Smith & Nephew after the recapitalization and the ability of DonJoy to replace such services, see Note 3 of Notes to Consolidated Financial Statements, "Risk Factors -- No Recent Prior Operations as an Independent Company," "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview -- Smith & Nephew Allocations and Sales" and "Certain Relationships and Related Transactions -- Other Agreements between DonJoy and Smith & Nephew -- Transition Services Agreement."

(e) Earnings consist of income before income taxes plus fixed charges. Fixed charges consist of (i) interest, whether expensed or capitalized, (ii) amortization of debt issuance costs, whether expensed or capitalized, and (iii) an allocation of one-third of the rental expense from operating leases which management considers to be a reasonable approximation of the interest factor of rental expense.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA

The following unaudited pro forma consolidated financial data of DonJoy give effect to the Transactions. DonJoy is a guarantor of the notes and of the new credit facility and has no material assets or operations other than its ownership of 100% of our equity interests. As a result, the consolidated financial position and results of operations of DonJoy are substantially the same as ours. The unaudited pro forma consolidated balance sheet gives effect to the Transactions as if they had occurred on June 29, 1999. The unaudited pro forma consolidated statements of income for the year ended December 31, 1998 and the six-month period ended June 29, 1999 give effect to the Transactions as if they had occurred on January 1, 1998. The recapitalization will have no impact on the historical basis of DonJoy's assets and liabilities as reflected in the consolidated financial statements except for the elimination of the intercompany accounts.

The pro forma financial data assume a purchase price for the redemption of Smith & Nephew's Common Units in DonJoy in the recapitalization of $199.8

million. The consideration paid to Smith & Nephew will be increased (decreased) on a dollar for dollar basis to the extent DonJoy's net operating assets (as defined in the recapitalization agreement) on the closing date of the recapitalization exceeded (was less than) $33.4 million. The determination of any such adjustment will be made subsequent to the closing date of the recapitalization. If any additional payment is to be made to Smith & Nephew pursuant to the foregoing, the Company may borrow such amount under the new revolving credit facility for distribution to DonJoy for payment to Smith & Nephew.

The pro forma adjustments are based upon available information and certain assumptions that DonJoy believes are reasonable under the circumstances. The unaudited pro forma consolidated financial data do not purport to represent what DonJoy's consolidated financial position or consolidated results of operations would have actually been if the Transactions had in fact occurred on the dates indicated and are not necessarily representative of DonJoy's consolidated financial position or results of operations for any future date or period. The unaudited pro forma consolidated financial data should be read in conjunction with the consolidated financial statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

DONJOY, L.L.C.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
JUNE 29, 1999
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA
<S>	<C>	<C>	<C>
ASSETS			
Current assets:			
Cash	$ 1,086	$ (1,086)(a)	$ --
Accounts receivable, net of allowance for doubtful accounts of $697	16,415	--	16,415
Accounts receivable, related parties	1,983	--	1,983
Inventories, net	14,441	--	14,441
Other current assets	582	--	582
Total current assets	34,507	(1,086)	33,421
Property, plant and equipment, net	6,377	--	6,377
Intangible assets, net	34,609	--	34,609
Other assets	134	7,200(b)	7,334
Total assets	$75,627	$ 6,114	$ 81,741
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)			
Current liabilities:			
Accounts payable	$ 6,306	$ --	$ 6,306
Accounts payable, related parties	157	--	157
Accrued compensation	1,669	--	1,669
Accrued commissions	794	--	794
Intercompany obligations	1,695	(1,086)(c)	609
Other accrued liabilities	420	--	420
Total current liabilities	11,041	(1,086)(c)	9,955
Long-term debt	--	113,453(d)	113,453
Redeemable Preferred Units	--	30,000(e)	30,000
Members' equity (deficit)	64,586	(136,253)(f)	(71,667)
Total liabilities and members' equity (deficit)	$75,627	$ 6,114	$ 81,741

</TABLE>

See accompanying Notes to Unaudited Pro Forma Consolidated Balance Sheet.

DONJOY, L.L.C.

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED

(a) Entry records elimination of cash retained by Smith & Nephew in accordance with the recapitalization agreement.

(b) The Company incurred fees and expenses of $8.7 million in connection with the Transactions, of which approximately $1.5 million will be charged against equity in the third quarter of 1999. The adjustment reflects the balance of $7.2 million in debt issuance costs which will be amortized over the terms of the related debt instruments.

(c) Pursuant to the recapitalization agreement, all cash was to be retained by Smith & Nephew. However, due to timing of deposits, cash held by the Company on June 29, 1999 could not be transferred to Smith & Nephew in accordance with the recapitalization agreement. Accordingly, the Company recorded at June 29, 1999, a liability to Smith & Nephew in the amount of the cash. Entry records elimination of the liability for cash held by the Company but owed to Smith & Nephew.

(d) Reflects the new long-term debt of the Company consisting of the $15.5 million term loan, and the old notes. The notes are reflected net of unamortized discount of approximately $2.0 million. The discount will be charged to earnings over the term of the notes. Total borrowings of up to $25.0 million under the new revolving credit facility are also available for working capital and general corporate purposes, including to finance acquisitions, investments and strategic alliances.

(e) Reflects the issuance of the redeemable preferred units by DonJoy, net of $1.4 million of fees paid to CB Capital and First Union investors on a pro rata basis. The $1.4 million of fees will be accreted as dividends over the term of the Redeemable Preferred Units.

(f) Consists of the following adjustments to members' equity (deficit):

Equity investments by CDP	$ 64,550
Equity investment by Management Members	1,850
Less: Note receivable from Management Members	(1,400)
Consideration paid to Smith & Nephew	(199,756)
Transaction fees	(1,497)
	$(136,253)

DONJOY, L.L.C.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF INCOME

	FISCAL YEAR ENDED DECEMBER 31, 1998			SIX MONTHS ENDED JUNE 29, 1999		
	HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA	HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA
			(DOLLARS IN THOUSANDS)			
Net revenues	$101,169	$ --	$101,169	$54,653	$ --	$54,653
Cost of goods sold	46,329	(3,249)(a)	43,080	25,642	(1,817)(a)	23,825
Gross profit	54,840	3,249	58,089	29,011	1,817	30,828
Operating expenses:						
Sales and marketing	25,296	--	25,296	13,371	--	13,371
General and administrative	16,484	(3,043)(b)	13,441	8,773	(1,411)(b)	7,362
Research and development	2,248	--	2,248	1,048	--	1,048
Restructuring costs	2,467	--	2,467	--	--	--
Total operating expenses	46,495	(3,043)	43,452	23,192	(1,411)	21,781
Income from operations	8,345	6,292	14,637	5,819	3,228	9,047
Interest income (expense), net	--	(15,031)(c)	(15,031)	--	(7,516)(c)	(7,516)
Income (loss) before income taxes	8,345	(8,739)	(394)	5,819	(4,288)	1,531
Provision (benefit) for income taxes	3,394	(3,394)(d)	--	2,387	(2,387)(d)	--
Net income (loss)	$ 4,951	$ (5,345)	$ (394)	$ 3,432	$(1,901)	$ 1,531
EBITDA(e)	$ 15,665		$ 21,957	$ 8,270		$11,498

</TABLE>

See accompanying Notes to Unaudited Pro Forma Consolidated Statement of Income.

DONJOY, L.L.C.

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED
STATEMENTS OF INCOME
(DOLLARS IN THOUSANDS IN ALL TABLES)

(a) Entry records elimination of brand royalties charged by Smith & Nephew for use of Smith & Nephew's trademarks and trade names. Following the recapitalization, the Company does not have the license to use any of the Smith & Nephew trademarks or tradenames.

(b) Entry records the elimination of (i) foreign sales corporation commissions paid by DonJoy on sales to foreign sales corporations established by Smith & Nephew for tax planning purposes, (ii) Smith & Nephew overhead allocations for corporate managed accounts and new business expense and corporate management expense which the Company will not incur following the recapitalization (the "Eliminated Allocations"), (iii) Smith & Nephew overhead allocations for research and development and for amounts charged by Smith & Nephew for services provided to DonJoy for finance (risk management, treasury, audit and taxes), human resources and payroll and legal services (collectively, the "Other Corporate Allocations"); and the inclusion of (iv) the estimated costs to replace the services previously provided by Smith & Nephew as part of the Other Corporate Allocations, as follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 29, 1999
<S>	<C>	<C>
Foreign sales corporation commissions	$ 439	$ --
Eliminated Allocations	1,726	979
Other Corporate Allocations	1,678	832
Estimated cost to replace Smith & Nephew services	(800)	(400)
	$3,043	$1,411

</TABLE>

The pro forma statements of income do not reflect adjustments for Smith & Nephew allocations for bonus, pension and insurance or payroll taxes and benefits or charges for direct legal expenses incurred by Smith & Nephew on DonJoy's behalf, which costs and expenses DonJoy believes it would have incurred on a stand-alone basis in approximately the same amounts during the pro forma periods presented, and are of a nature it will continue to incur following the recapitalization. Accordingly, no pro forma adjustments for these items have been made. For a more complete description of the corporate charges and allocations, the services performed by Smith & Nephew after the recapitalization and the ability of DonJoy to replace such services, see Note 3 of Notes to Consolidated Financial Statements, "Risk Factors -- No Recent Prior Operations as an Independent Company," "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview --

Smith & Nephew Allocations and Sales" and "Certain Relationships and Related Transactions -- Other Agreements between DonJoy and Smith & Nephew -- Transition Services Agreement."

(c) Pro forma adjustments to interest expense as a result of the Transactions are as follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 29, 1999
<S>	<C>	<C>
New credit facility ($15,000 at		

assumed weighted average rate of 8.25%)	$ 1,279	$ 639
Old notes	12,625	6,313
Commitment fee on unused portion of new revolving credit facility ($25,000 at 0.5%)	125	63
Total pro forma cash interest expense	14,029	7,015
Amortization of debt issuance costs	802	401
Amortization of discount	200	100
Total pro forma interest expense	$15,031	$7,516

</TABLE>

(d) Eliminates provision for income taxes. DonJoy and the Company are limited liability companies; as such neither will be subject to tax following the recapitalization as DonJoy's earnings will be included in the taxable income of its members. The indenture and the new credit facility permit the Company to make distributions to DonJoy in certain amounts to allow DonJoy to make distributions to its members to pay income taxes on such allocated earnings.

(e) EBITDA is defined as income from operations plus restructuring costs, and depreciation and amortization. EBITDA is not a measure of performance under generally accepted accounting principles. EBITDA should not be considered in isolation or as a substitute for net income, cash flows from operating activities and other income or cash flow statement data prepared in accordance with generally accepted accounting principles, or as a measure of profitability or liquidity. However, management has included EBITDA because it may be used by certain investors to analyze and compare companies on the basis of operating performance, leverage and liquidity and to determine a company's ability to service debt. The Company's definition of EBITDA may not be comparable to that of other companies.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

DonJoy is a guarantor of the notes and of the new credit facility and has no material assets or operations other than its ownership of all of our equity interests. As a result, the discussion below of the historical consolidated financial position and results of operations of DonJoy is substantially the same as ours.

The following discussion and analysis of DonJoy's financial condition and results of operations covers periods prior to the consummation of the Transactions. Accordingly, the discussion and analysis of historical periods does not reflect the significant impact that the Transactions will have on DonJoy and the Company, including significantly increased leverage and liquidity requirements. See "Risk Factors," "Capitalization," "Unaudited Pro Forma Consolidated Financial Data," and "-- Liquidity and Capital Resources." The following discussion should be read in conjunction with DonJoy's historical consolidated financial statements and the related notes thereto and the other financial data included elsewhere in this prospectus.

OVERVIEW

SEGMENTS. The Company designs, manufactures and markets orthopedic recovery products and complementary products. The Company's product lines include rigid knee braces, soft goods and a portfolio of specialty and other orthopedic products. The Company's rigid knee braces include ligament braces, which provide durable support for knee ligament instabilities, post-operative braces, which provide both knee immobilization and a protected range of motion, and OA braces, which provide relief of knee pain due to osteoarthritis. The Company's soft goods products, most of which are fabric or neoprene-based, provide support and/or heat retention and compression for afflictions of the knee, ankle, back and upper extremities, including the shoulder, elbow, neck and wrist. The Company's portfolio of specialty and other orthopedic products, which are designed to facilitate orthopedic rehabilitation, include lower extremity walkers, upper extremity braces, cold therapy systems and pain management delivery systems. The rigid knee brace product lines and the soft goods product lines constitute reportable segments under generally accepted accounting principles. See Note 7 of Notes to Consolidated Financial Statements. Set forth below is revenue and gross profit information for the Company's three product lines for the years ended December 31, 1996, 1997 and 1998 and the first six months of 1998 and 1999. Gross profit information is presented before brand royalties charged by Smith & Nephew for use of Smith & Nephew trademarks and

trade names (which charges are no longer incurred by the Company following the recapitalization) and certain other cost of goods sold, primarily manufacturing variances, which have not been directly allocated to any of the product lines. See Note 7 of Notes to Consolidated Financial Statements.

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED	
	1996	1997	1998	JUNE 27, 1998	JUNE 29, 1999
	(DOLLARS IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>	<C>
Rigid knee braces:					
Net revenues.....	$47,849	$48,371	$48,777	$24,405	$24,031
Gross profit.....	32,092	33,910	34,460	16,924	17,238
Gross profit margin.....	67.1%	70.1%	70.6%	69.3%	71.7%
Soft goods:					
Net revenues.....	$27,194	$31,737	$34,364	$16,102	$18,775
Gross profit.....	12,965	15,541	16,637	7,805	9,130
Gross profit margin.....	47.7%	49.0%	48.4%	48.5%	48.6%
Specialty and other orthopedic products:					
Net revenues.....	$ 8,069	$12,633	$18,028	$ 7,537	$11,847
Gross profit.....	3,814	6,132	8,978	3,678	5,895
Gross profit margin.....	47.3%	48.5%	49.8%	48.8%	49.8%

</TABLE>

The Company's total gross profit margin before brand royalties and other cost of goods sold not allocable to specific product lines was 58.8%, 59.9%, 59.4%, 59.1% and 59.0% in 1996, 1997 and 1998 and the first six months of 1998 and 1999, respectively.

The Company's products are marketed globally under the DonJoy and ProCare brand names through several distribution channels. DonJoy brand product sales represented approximately 75% of total net revenues in 1998. The Company markets substantially all of its rigid knee braces, approximately 80% of its specialty and other orthopedic products and approximately 40% of its soft goods products under the DonJoy brand name. ProCare brand product sales represented approximately 25% of total net revenues in 1998. The Company markets approximately 60% of its soft goods products, approximately 20% of its specialty and other orthopedic products and a small percentage of its rigid knee braces under the ProCare brand name.

DOMESTIC SALES. In the United States, DonJoy brand products are marketed to orthopedic surgeons, orthotic and prosthetic centers, hospitals, surgery centers, physical therapists and trainers by 26 commissioned agents who employ approximately 185 sales representatives. After a product order is received by a sales representative, the Company ships and bills the product directly to the orthopedic professional and the Company pays a sales commission to the agent. The gross profit and gross profit margins on DonJoy products sold in the United States do not include the commissions paid to the agents on sales of such products, which commissions are reflected in sales and marketing expense in the consolidated financial statements. Domestic sales of DonJoy brand products represented approximately 60% of total net revenues in 1998.

ProCare products are sold in the United States to third party distributors, including large, national distributors, regional specialty dealers and medical products buying groups who generally purchase such products at a discount from list prices. These distributors then resell ProCare products to large hospital chains,

hospital buying groups, primary care networks and orthopedic physicians for use by the patients. Domestic sales of ProCare products represented approximately 20% of total net revenues in 1998.

INTERNATIONAL SALES. International sales, primarily in Europe and Japan, accounted for approximately 20%, 18%, 18%, 20% and 16% of the Company's net revenues in 1996, 1997 and 1998 and the first six months of 1998 and 1999, respectively. Sales in Germany, the Company's largest foreign market, accounted for approximately one-third of the Company's 1998 international net revenues, with no other country accounting for more than approximately 10% of the Company's 1998 international net revenues. Sales in Europe, primarily Germany, the United Kingdom, France, Spain and Italy, accounted for approximately 69% of

the Company's 1998 international net revenues. Sales in Japan accounted for approximately 7% of the Company's 1998 international net revenues. The Company expects its international net revenues to increase as a percentage of its total net revenues in the future.

International sales are currently made through two distinct channels: Smith & Nephew sales organizations within each major country (such as the United Kingdom, France, Italy and Spain) and independent third party distributors (such as in Germany). Distributors in both of these channels buy and resell the Company's products and have the ability to sell DonJoy and ProCare brand products within their designated countries. DonJoy brand products constituted approximately 80% of total international sales during 1998. ProCare products are currently generally resold by the Smith & Nephew sales organizations under the Smith & Nephew name. Approximately 55% of international sales in 1998 were generated through the Smith & Nephew sales organizations. The Company believes future opportunities for sales growth within international markets are significant. The Company expects to increase international sales by reorganizing and expanding its international distribution network and implementing the marketing and distribution strategies which it has successfully utilized in the United States and certain international territories, most notably Germany. In particular, the Company intends to replace most of its existing Smith & Nephew sales organizations with independent distributors who will focus on building strong relationships with the Company's targeted customers and will be responsible for achieving specified sales targets. As of August 1, 1999, the Company has replaced the Smith & Nephew sales organizations in Japan, New Zealand and Hong Kong with independent distributors. The Company has also given notice to Smith & Nephew that the Company will terminate 16 of the remaining 27 Smith & Nephew sales organizations by the beginning of 2000. See "Risk Factors -- Transition to New Independent Distributors in International Markets" and "Business -- Business Strategy -- Increase International Sales."

The Company's international sales are made in United States dollars. Accordingly, the Company's results of operations are not directly impacted by foreign currency exchange fluctuations. However, the volume and product mix of international sales may be impacted by foreign currency exchange fluctuations as changes in the rate of exchange between the U.S. dollar and the foreign currency will affect the cost of our products to our customers and thus may impact the overall level of customer purchases or result in the customer purchasing less expensive products. See "Risk Factors -- International Operations."

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THIRD PARTY REIMBURSEMENT; HEALTH CARE REFORM; MANAGED CARE. While national health care reform and the advent of managed care has impacted the orthopedic recovery products industry, its impact has not been as dramatic as experienced by other sectors of the health care market, such as long term care, physician practice management and managed care (capitation) programs. In recent years, efforts to control medical costs within the U.S. orthopedic recovery products industry have been directed towards scrutiny of medical device reimbursement codes, whereby devices are classified to determine the dollar amount eligible for reimbursement, and their applicability toward certain orthopedic procedures. Reimbursement codes covering certain of the Company's products have been lowered or narrowed, thereby reducing the breadth of products for which reimbursement can be sought. The Company expects that a reduction in the total dollar value eligible for reimbursement will occur in the future as the reform process continues.

In international markets, while the movement toward health care reform and the development of managed care are generally not as advanced as in the United States, the Company has experienced similar downward pressure on product pricing and other effects of health care reform as it has experienced in the United States. The Company expects health care reform and managed care to continue to develop in its primary international markets, including Europe and Japan, which the Company expects will result in further downward pressure in product pricing.

In response to the historic and forecasted reductions of reimbursement rates and the impact of demand matching (where patients are evaluated as to age, need for mobility and other parameters and are then matched with an orthopedic recovery product that is cost effective in light of such evaluation), the Company and many of its competitors are introducing new product offerings at lower prices. This is particularly evident within the U.S. rigid knee bracing segment of the orthopedic recovery products industry where the Company and many of its competitors are offering lower priced, off-the-shelf products. The minimal sales growth in the Company's rigid knee bracing product lines over the past few years has in part resulted from these price pressures.

The Company believes that it will not be materially adversely affected by U.S. or international health care reform. The Company currently does not have any capitated health care service arrangements. The Company believes that to the extent it responds to price pressures through lower prices for its products, it will be able to substantially offset the effect of this price erosion through reductions in its manufacturing and other costs. In addition, because of the quality, functionality and reputation of its products, its marketing and sales

programs which emphasize strong relationships with customers and the service it provides to its customers, the Company believes it will be able to compete even if reimbursement rates are materially altered. For example, revenues from the IceMan from 1997 to 1998 increased despite elimination of its eligibility for reimbursement.

A further result of managed care and the related pressure on costs has been the advent of buying groups in the United States which enter into preferred supplier arrangements with one or more manufacturers of orthopedic or other medical products in return for price discounts. The Company has entered into national contracts with selected buying groups and expects to enter into additional national contracts in the future. The Company believes that the high level of

product sales to such groups, to the extent such groups are able to command a high level of compliance by their members with the preferred supplier arrangements, and the opportunity for increased market share can offset the financial impact of the price discounting under such contracts. Accordingly, although there can be no assurance, the Company believes that such price discounting will not have a material adverse effect on the Company's operating results in the future. See "Risk Factors -- Responses by Health Care Providers to Price Pressures; Formation of Buying Groups" and "Business -- Sales, Distribution and Marketing -- United States."

OFFICECARE PROGRAM. In 1996, in response to the needs of its customers, the Company launched OfficeCare, an inventory management and insurance billing program for its U.S. orthopedic physician customers. Under the OfficeCare program, the Company provides the orthopedic physician with an inventory of orthopedic products for immediate disbursement to the physician's patients. The Company then directly seeks reimbursement from the patient's insurance company, other third party payor or from the patient where self-pay is applicable.

Since its inception, the OfficeCare program has been promoted specifically to provide the Company's orthopedic physician customers with a full complement of soft goods and certain specialty products (including products of competitors) for immediate patient use. The OfficeCare program is intended to introduce new orthopedic physicians to the Company's product lines without financial risk to the potential customer.

The OfficeCare program represented approximately 6% and 7.5% of the Company's net revenues for 1998 and the first six months of 1999, respectively, with sales of soft goods representing the majority of such sales. As a result of the growth of the program, the Company's working capital needs have significantly increased due to higher levels of accounts receivable and inventories necessary to operate the program. In addition, OfficeCare has expanded the Company's involvement in the third party reimbursement process, or in certain cases directly with the patient. The collection period for these receivables as compared to other segments of the Company's business is significantly longer and has also resulted in a need to increase the Company's bad debt allowance requirements.

SMITH & NEPHEW ALLOCATIONS AND SALES. Prior to December 29, 1998, the Company's business was operated as the Bracing & Support Systems Division (the "Division") of Smith & Nephew. Effective December 29, 1998, Smith & Nephew contributed the Division's net assets and shares of a Mexican subsidiary to DonJoy, then a newly formed Delaware limited liability company, the sole member of which was Smith & Nephew. Accordingly, the contribution has been accounted for on a predecessor basis for financial reporting purposes.

As a result of the Company formerly being a division of Smith & Nephew, the Company's historical results of operations reflect certain direct charges from Smith & Nephew as well as certain allocations of Smith & Nephew's overhead and other expenses. These amounts were charged or allocated to the Company on the basis of direct usage where identifiable, with the remainder allocated to the Company on the basis of its annual sales or the capital employed by Smith & Nephew in the Company's business. See Note 3 of Notes to Consolidated Financial Statements.

The following is a summary of such charges and allocations and their applicability to the Company on a stand-alone basis following the recapitalization. See "Unaudited Pro Forma Consolidated Financial Data".

(1) Charges for brand royalties historically included in the Company's cost of goods sold resulting from the use by the Company of the Smith & Nephew trademarks and trade name. These charges were $1.3 million, $1.6 million, $3.2 million, $1.6 million and $1.8 million in 1996, 1997 and 1998 and the first six months of 1998 and 1999, respectively. As a result of the

recapitalization, the Company no longer has the right to use the Smith & Nephew trademarks and trade names and, accordingly, these charges are no longer incurred by the Company.

(2) Foreign sales corporation commissions historically included in the Company's general and administrative expense paid by the Company on sales to foreign sales corporations established by Smith & Nephew. The use of foreign sales corporations was a tax planning strategy for Smith & Nephew. These charges were $0.5 million, $0.7 million, $0.4 million, $0.2 million and $0 in 1996, 1997 and 1998 and the first six months of 1998 and 1999, respectively. Following the recapitalization, the Company no longer incurs these charges.

(3) Smith & Nephew allocations for a portion of its corporate managed accounts and new business expense and corporate management expense historically included in the Company's general and administrative expense. These allocations (referred to in this prospectus as the "Eliminated Allocations") were $0.8 million, $1.7 million, $1.7 million, $0.9 million and $1.0 million in 1996, 1997 and 1998 and the first six months of 1998 and 1999, respectively. These allocations were for a portion of Smith & Nephew's overhead expenses that the Company will not incur or replace following the recapitalization.

(4) Smith & Nephew allocations for research and development and for finance (risk management, treasury, audit and taxes), human resources and payroll, and legal services historically provided by Smith & Nephew to the Company which were included in the Company's general and administrative expense. These allocations (referred to in this prospectus collectively as the "Other Corporate Allocations") were $0.8 million, $1.2 million, $1.7 million, $0.8 million and $0.8 million in 1996, 1997 and 1998 and the first six months of 1998 and 1999, respectively. These allocations were for a portion of Smith & Nephew's overhead expenses. The Company on a stand-alone basis will need to replace these services provided by Smith & Nephew following the recapitalization, and will incur additional expenses associated with external auditing and periodic filings with the Securities and Exchange Commission. The Company estimates that the aggregate cost of replacing these services and such additional expenses will be approximately $800,000 following the recapitalization.

(5) Other allocations relating to bonuses, pension and insurance historically included in the Company's cost of goods sold, sales and marketing expense and general and administrative expense, and charges for payroll taxes and benefits and direct legal expenses incurred by Smith & Nephew on the Company's behalf included in the Company's general and administrative

expense. These costs and expenses are of a nature the Company expects to continue to incur on a stand-alone basis following the recapitalization.

Under a transition services agreement entered into in connection with the recapitalization, Smith & Nephew will continue to provide certain of the administrative services referred to in paragraph (4) above as required by the Company through December 31, 1999 at no cost to the Company except that the Company will reimburse Smith & Nephew for all payments made by Smith & Nephew to third parties in conjunction with providing the services. Based on prior practice, such payments are not expected to be material. See "Certain Relationships and Related Transactions -- Other Agreements between DonJoy and Smith & Nephew -- Transition Services Agreement." The Company believes that prior to the termination of the transition services agreement, it will replace the services provided by Smith & Nephew either with internal staff, including through the addition of new employees, or through arrangements with third party providers. As noted above, the Company estimates that the services described in paragraph (4) above (which will be reflected as general and administrative expense following the recapitalization) will cost the Company approximately $800,000 following the recapitalization. However, there can be no assurance that the Company will be able to obtain suitable replacement sources for such services, either internally or through or outsourcing arrangements, or that if obtained, such services will not cost significantly in excess of the Company's estimates.

For the years ended December 31, 1996, 1997 and 1998 and the first six months of 1998 and 1999, the Company's sales to Smith & Nephew and its affiliates (including Smith & Nephew's sales organizations) were $9.7 million, $11.8 million, $10.7 million, $5.7 million and $5.2 million, respectively, or 12%, 13%, 11%, 12% and 10%, respectively, of total sales for these periods. International sales represented the vast majority of sales to Smith & Nephew and its affiliates, accounting for approximately 89%, 74%, 91%, 92% and 89% of total sales to Smith & Nephew and its affiliates in 1996, 1997 and 1998 and in the first six months of 1998 and 1999, respectively. See Note 7 of Notes to Consolidated Financial Statements. Domestic sales to Smith & Nephew and its affiliates were higher in 1997 as a result of sales to a Smith & Nephew

affiliate, which then resold the Company's products to a third party. Beginning in 1998, the Company made these sales directly to the third party. In connection with the recapitalization, Smith & Nephew and its sales organizations which distribute the Company's products internationally entered into agreements with the Company regarding the purchase of Company products following consummation of the recapitalization. However, neither Smith & Nephew nor such sales organizations have any obligation to purchase any specific or minimum quantity of products pursuant to such agreements. See "Certain Relationships and Related Transactions -- Other Agreements between DonJoy and Smith & Nephew -- Supply Agreement" and "-- Distribution Agreement". Accordingly, while the Company believes that Smith & Nephew and its sales organizations will continue to purchase Company products following the recapitalization, there can be no assurance that sales to Smith & Nephew following the recapitalization will continue at historical levels or that such sales in the future will not be significantly reduced.

MANUFACTURING COST REDUCTION INITIATIVES. Over the past several years, the Company has undertaken two initiatives designed to lower its overall manufacturing cost structure. First, in order to take advantage of the lower labor costs in

Mexico, the Company in 1993 began manufacturing certain of its labor intensive products, principally soft goods products, subassemblies and pads used in rigid knee braces and covers, in two facilities in Tijuana, Mexico. Secondly, in 1998 the Company completed the consolidation of its domestic operations into one location in Vista, California. As a result, the Company incurred $2.5 million of restructuring costs (net of $0.3 million of deferred rent reflected on its balance sheet which related to the vacated facility) in 1998 substantially all of which related to lease termination costs on the vacated facility. In 1998 and the first six months of 1999, $2.0 million of the restructuring reserve was utilized through payments on the vacated facility net of sublease income and write-off of certain abandoned fixed assets of the vacated facility. Pursuant to the recapitalization agreement, the remainder of the restructuring reserve, which amounted to $0.9 million at June 29, 1999 and consisted of the remaining lease obligations on the vacated facility, was assumed by Smith & Nephew. See "Unaudited Pro Forma Consolidated Financial Data." In addition, 1998 general and administrative expense included $0.2 million of costs related to moving costs resulting from the consolidation of the facilities. Operating results for the first three quarters of 1998 were adversely affected by the consolidation due to disruption caused as the Company totally integrated manufacturing operations of the DonJoy and ProCare brands which were previously separate and distinct, but returned to prior levels in the fourth quarter of 1998 and the first six months of 1999.

The Company intends to continue to pursue opportunities to reduce manufacturing costs and improve operating efficiencies. The Company will move as appropriate greater portions of its labor intensive operations to its facilities in Mexico to generate further labor cost savings for its more labor intensive products and utilize the resulting additional capacity in its U.S. facilities to manufacture its more technologically advanced products. By upgrading its computer systems to achieve more efficient production, the Company expects to achieve material and labor cost reductions as well as economies of scale across its manufacturing operation. In addition, the Company intends to further automate its manufacturing operations through the use of more technologically advanced fabrication and equipment systems. The Company will continue to rationalize raw materials used in the production of its existing products, thereby enabling the Company to leverage its purchasing power. Finally, in order to achieve further cost savings, the Company intends to further reduce its number of stock keeping units (SKUs) without impacting service or breadth of the Company's product range.

BASIS OF PRESENTATION; TAXES. The recapitalization had no impact on the historical basis of the Company's assets and liabilities as reflected in the consolidated financial statements except for the elimination of the intercompany accounts. However, as a result of the recapitalization, for federal income tax purposes, the Company will record an increase in the tax basis of its fixed and intangible assets in an amount approximately equal to the taxable gain recognized by Smith & Nephew on the sale of its interest in DonJoy. As a result, after the recapitalization, for tax purposes the Company will be able to depreciate assets with a higher tax basis than for financial reporting purposes. Prior to the recapitalization, the Company's results of operations were included in the consolidated federal income tax returns which Smith & Nephew filed in the United States and the historical financial statements reflect a provision for income taxes assuming that DonJoy had filed a separate federal income tax return. As limited

liability companies, DonJoy and the Company are not subject to income taxes

following the recapitalization. See "Unaudited Pro Forma Consolidated Financial Data." Instead, DonJoy's earnings following the recapitalization will be allocated to its members and included in the taxable income of its members. The indenture and the new credit facility permit the Company to make distributions to DonJoy in certain amounts to allow DonJoy to make distributions to its members to pay income taxes in respect of their allocable share of taxable income of DonJoy and its subsidiaries, including the Company.

RESULTS OF OPERATIONS

The Company operates its business on a manufacturing calendar, with its fiscal year always ending on December 31. Each quarter is 13 weeks, consisting of one five-week and two four-week periods. The first and fourth quarters may have more or less working days from year to year based on what day of the week holidays fall on. See "-- Six Months Ended June 29, 1999 Compared to Six Months Ended June 27, 1998."

The following table sets forth the Company's operating results as a percentage of net revenues.

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED	
	1996	1997	1998	JUNE 27, 1998	JUNE 29, 1999
<S>	<C>	<C>	<C>	<C>	<C>
Net revenues					
Rigid knee bracing	57.6%	52.2%	48.2%	50.8%	44.0%
Soft goods	32.7	34.2	34.0	33.5	34.3
Specialty and other orthopedic products	9.7	13.6	17.8	15.7	21.7
Total consolidated net revenues	100.0	100.0	100.0	100.0	100.0
Cost of goods sold allocable to product lines	41.2	40.1	40.6	40.9	41.0
Gross profit exclusive of brand royalties and other cost of goods sold	58.8	59.9	59.4	59.1	59.0
Brand royalties	1.5	1.7	3.2	3.3	3.3
Other cost of goods sold	1.1	.3	2.0	1.8	2.6
Gross profit	56.2	57.9	54.2	54.0	53.1
Sales and marketing	24.1	24.7	25.0	25.0	24.5
General and administrative	15.6	17.0	16.3	17.2	16.0
Research and development	2.1	2.2	2.2	2.5	1.9
Restructuring costs	--	--	2.4	5.1	--
Income from operations	14.4	14.0	8.3	4.2	10.7
Interest income (expense), net	(3.0)	(2.2)	--	--	--
Income before income taxes	11.4	11.8	8.3	4.2	10.7
Provision for income taxes	4.6	4.7	3.4	1.7	4.4
Net income	6.8%	7.1%	4.9%	2.5%	6.3%

</TABLE>

The following table summarizes certain of the Company's operating results by quarter for 1997 and 1998 and the first six months of 1999.

<TABLE>
<CAPTION>

	1997				1998				1999	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net revenues	$22,930	$21,843	$23,166	$24,802	$24,568	$23,476	$24,770	$28,355	$28,651	$26,002
Gross profit	13,050	12,960	13,200	14,501	12,940	13,008	13,272	15,620	15,051	13,960
Income from operations	3,444	2,948	2,881	3,703	79	1,931	2,174	4,161	3,080	2,739
Number of operating days	62	63	63	64	60	63	63	65	64	61

</TABLE>

SIX MONTHS ENDED JUNE 29, 1999 COMPARED TO SIX MONTHS ENDED JUNE 27, 1998

NET REVENUES. Net revenues increased $6.6 million, or 13.8%, to $54.7 million for the first six months of 1999 from $48.0 million for the first six months of 1998. The first six months of 1999 contained two more business days than the first six months of 1998 which resulted in approximately $900,000 more revenue in the first six months of 1999 as compared to the first six months of 1998. Net revenues for the rigid knee bracing segment decreased marginally between periods. Higher unit sales of ligament and post-operative braces were offset by lower unit sales of OA braces. Soft goods sales increased by $2.7 million over the prior period due primarily to increased sales volumes of neoprene bracing products, wrist splints and other soft good supports. These increases primarily reflect the effect of national contracts entered into in the second half of 1998. Specialty and other orthopedic products sales increased by $4.3 million over the prior period due primarily to the recently introduced Painbuster pain management delivery systems and to increased sales of lower extremity walkers.

GROSS PROFIT. Gross profit increased $3.1 million, or 11.8%, to $29.0 million for the first six months of 1999 from $25.9 million for the first six months of 1998. Gross profit margin, exclusive of brand royalties and other cost of goods sold not allocable to specific product lines, was consistent between periods. Gross profit for the rigid knee bracing segment increased $0.3 million, with gross profit margin increasing to 71.7% from 69.3%. These increases reflected the improved product mix. Gross profit for the soft goods segment increased $1.3 million as a result of increased sales volume at substantially the same margin as the prior period. Gross profit for the specialty and other orthopedic products segment increased $2.2 million, with gross profit margin increasing to 49.8% from 48.8%. These changes reflect the change in product mix. Brand royalties charged by Smith & Nephew for the use of its trademarks and trade names were relatively consistent with the prior period as a percentage of net revenues. In the first six months of 1999, other cost of goods sold not allocable to specific product lines increased primarily due to the OfficeCare program and the amortization of the Painbuster pain management delivery system distribution rights.

SALES AND MARKETING EXPENSES. Sales and marketing expenses increased $1.4 million, or 11.4%, to $13.4 million for the first six months of 1999 from $12.0 million for the first six months of 1998. The increase primarily reflected an increase in commissions associated with higher sales of DonJoy products in the United States.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses increased $0.5 million, or 6.1%, to $8.8 million for the first six months of 1999 from $8.3 million for the first six months of 1998. The increase was primarily due to an increase in corporate allocations from Smith & Nephew of $0.3 million and increases in salaries and benefits during the first six months of 1999. However, general and administrative expenses declined as a percentage of revenues to 16.1% from 17.2%.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses were approximately equal over the two periods. Significant resources within the department were re-deployed to focus primarily on the development of the VISTA System during the first six months of 1999.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

NET REVENUES. Net revenues increased $8.4 million, or 9.1%, to $101.2 million in 1998 from $92.7 million in 1997. Net revenues in the rigid knee bracing segment increased marginally between the periods. Lower unit sales of ligament and OA braces were offset by an increase in unit sales of post-operative braces and an overall improvement in product mix. Soft goods sales increased by $2.6 million over the prior year period due to increased sales volumes of wrist splints, slings and immobilizers and other soft good supports. The increased sales volumes of these products were primarily the result of growth in the OfficeCare program. Specialty and other orthopedic products sales increased $5.4 million over the prior year period primarily due to increased sales volumes of lower extremity walkers, shoulder products, cold therapy units and other specialty products. In addition, the introduction of the PainBuster pain management delivery systems during the fourth quarter of 1998 contributed to increased sales within this segment.

GROSS PROFIT. Gross profit increased $1.1 million, or 2.1%, to $54.8 million in 1998 from $53.7 million in 1997. Gross profit margin, exclusive of brand royalties and other cost of goods sold not allocable to specific product lines, decreased to 59.4% in 1998 from 59.9% in 1997. Gross profit for the rigid knee bracing segment increased $0.6 million, with gross profit margin increasing to 70.6% from 70.1%. These increases reflected the improved product mix. Gross profit for the soft goods segment increased $1.1 million, with gross profit margin decreasing to 48.4% from 49.0%, reflecting increased sales of lower margin products. Gross profit for the specialty and other orthopedic products segment increased $2.8 million, with gross profit margin increasing to 49.8% from 48.5%. These changes reflected the change in product mix. Brand royalties

charged by Smith & Nephew which are included within cost of goods sold increased to 3.0% of revenues from 1.5% over the prior year period. Other cost of goods sold not allocable to specific product lines increased to $2.0 million in 1998 from $0.3 million in 1997. This increase primarily resulted from the disruption caused as the Company totally integrated manufacturing operations of the DonJoy and ProCare brands which were previously separate. By the fourth quarter of 1998, manufacturing operations had returned to previous levels.

SALES AND MARKETING EXPENSES. Sales and marketing expenses increased $2.4 million, or 10.6%, to $25.3 million in 1998 from $22.9 million in 1997. This increase primarily reflected an increase in commissions associated with higher

sales of DonJoy products in the United States, as well as advertising and delivery expenses.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses increased $0.7 million, or 4.3%, to $16.5 million in 1998 from $15.8 million in 1997. The increase was primarily due to $0.3 million in year 2000 compliance costs, $0.2 million in moving costs related to the Company's consolidation of its two U.S. facilities and a $0.2 million increase in corporate allocations from Smith & Nephew. However, these expenses declined as a percentage of revenues to 16.3% from 17.0%.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses were approximately equal over the two periods. As a result of the Company's research and development efforts, the OPAL OA knee brace, the enhanced Defiance custom knee brace and the TROM post-operative brace were introduced during 1998.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996

NET REVENUES. Net revenues increased $9.6 million, or 11.6%, to $92.7 million in 1997 from $83.1 million in 1996. Net revenues in the rigid knee bracing segment increased marginally between the periods. Lower unit sales of ligament braces were offset by an increase in unit sales of post-operative braces and an overall improvement in product mix. Soft goods sales increased by $4.5 million over the prior year period due to increased sales volumes of general soft goods supports, slings and immobilizers and Drytex based support products. Specialty and other orthopedic products sales increased $4.6 million over the prior year period primarily due to increased sales volumes of lower extremity walkers and cold therapy units.

GROSS PROFIT. Gross profit increased $7.0 million, or 15.0%, to $53.7 million in 1997 from $46.7 million in 1996. Gross profit margin, exclusive of brand royalties and other cost of goods sold not allocable to specific product lines, increased to 59.9% in 1997 from 58.8% in 1996, which reflected the benefits of utilizing the existing vertically integrated manufacturing capabilities of Professional Care Products Incorporated, purchased in the latter part of 1995, within the DonJoy brand manufacturing operations in order to produce in-house components previously purchased from outside sources. The ProCare brand manufacturing capabilities included metal stamping capabilities, tool and die development, injection molding and in-house fabricated strapping material. In addition, increased purchasing power for materials used in DonJoy and ProCare brand products not manufactured in-house contributed to the increase in gross profit. Gross profit for the rigid knee bracing segment increased $1.8 million, with gross profit margin increasing to 70.1% from 67.1%. These increases reflect the improved product mix. Gross profit for the soft goods segment increased $2.6 million, with gross profit margin increasing to 49.0% from 47.7%, reflecting lower production costs for labor intensive products which were transferred to the Mexican manufacturing facilities. Gross profit for the specialty and other orthopedic products segment increased $2.3 million, with gross profit margin increasing to 48.5% from 47.3%, also reflecting lower manufacturing costs. Brand royalties charged by Smith & Nephew remained relatively constant over the period. Other cost of goods sold not allocable to specific product lines decreased to $0.3 million in 1997 from $0.9 million in 1996 reflecting a decline in manufacturing variances resulting from the integration of the ProCare manufacturing operations discussed above.

SALES AND MARKETING EXPENSES. Sales and marketing expenses increased $2.8 million, or 14.0%, to $22.9 million in 1997 from $20.1 million in 1996. This increase primarily reflected an increase in commissions associated with higher sales of DonJoy products in the United States.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses increased $2.9 million, or 22.1%, to $15.8 million in 1997 from $12.9 million in 1996. The increase was primarily due to a $1.9 million increase in corporate allocations from Smith & Nephew in 1997 over the prior year period. In addition, there was an additional $0.5 million in direct legal expenses primarily related

to a single patent defense action in which the Company prevailed. These expenses increased a percentage of revenues to 17.0% from 15.6%.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses were $2.1 million in 1997 as compared to $1.8 million in 1996. During 1997, the Walkabout was introduced and many enhancements and modifications were incorporated within existing product lines.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal liquidity requirements are to service its debt and meet its working capital and capital expenditure needs. At December 31, 1997 and December 31, 1998, the Company had long-term intercompany obligations to Smith & Nephew of $43.5 million and $44.0 million, respectively. On June 29, 1999, all long-term intercompany obligations and certain other current liabilities owed to Smith & Nephew were contributed to members equity in accordance with the recapitalization agreement. The Company's long-term indebtedness at June 29, 1999 on a pro forma basis after giving effect to the Transactions would have been approximately $113.5 million.

Net cash provided by operating activities was $9.6 million, $11.1 million, $3.7 million, $0.2 million and $7.3 million in 1996, 1997, and 1998 and the first six months of 1998 and 1999, respectively. The increase of $7.1 million in the first six months of 1999 reflects the increase in net income in the first six months of 1999 as compared to the first six months of 1998, a decrease in inventories and a general increase in working capital. The decrease of $7.4 million in 1998 was primarily due to the decrease in net income in 1998 as compared to 1997, the increased levels in accounts receivable and inventories offset in part by an increase in accounts payable and the effect of the restructuring in 1998. The increase of $1.4 million in 1997 as compared to 1996 was primarily a result of the increase in net income in 1997 as compared to 1996, the increased level of accounts payable offset in part by an increase in accounts receivables and inventories and an approximately $1.0 million use of cash in 1996 relating to a restructuring reserve established in connection with the acquisition of Professional Care Products Incorporated in 1995.

Cash flows used in investing activities were $1.9 million, $2.3 million, $4.0 million, $2.6 million and $2.8 million in 1996, 1997, 1998 and the first six months of 1998 and 1999, respectively. Capital expenditures in the first six months of 1999 primarily reflected a payment relating to the exclusive North American distribution rights for the PainBuster pain management and relief systems. Capital expenditures in the first six months of 1998 reflected leasehold improvements on the expanded Vista, California facility. The increase of $1.7 million in 1998 as compared to 1997 related to increased capital expenditures related to leasehold

improvements on the expanded Vista facility and a payment relating to the purchase of intellectual property rights from IZEX Technologies to design, manufacture and distribute the VISTA System. Capital expenditures in 1996 and 1997 remained relatively constant.

Cash flows provided by (used in) financing activities were $(7.9) million, $(8.4) million, $0.2 million, $1.8 million and $(4.2) million in 1996, 1997, 1998 and the first six months of 1998 and 1999, respectively. The changes are a result of the change in intercompany obligations. Prior to the recapitalization, the Company participated in Smith & Nephew's central cash management program, wherein all of the Company's cash receipts are remitted to Smith & Nephew and all cash disbursements are funded by Smith & Nephew. Following the recapitalization, the Company no longer participates in Smith & Nephew's cash management program. See Note 3 of Notes to Consolidated Financial Statements.

Interest payments on the old notes and on borrowings under the new credit facility have significantly increased the Company's liquidity requirements. The new credit facility provides for the term loan of $15.5 million, which was borrowed in connection with the recapitalization, and up to $25.0 million of revolving credit borrowings under the new revolving credit facility, which are available for working capital and general corporate purposes, including financing of acquisitions, investments and strategic alliances. As of August 31, 1999, the Company had no borrowings outstanding under the new revolving credit facility. Borrowings under the term loan and the new revolving credit facility bear interest at variable rates plus an applicable margin. See "Description of New Credit Facility."

The following table sets forth the principal payments on the term loan for the years 1999 through its maturity in 2005:

<TABLE>
<CAPTION>

YEAR	PRINCIPAL PAYMENT

1999	$ 250,000
2000	$ 500,000
2001	$ 500,000
2002	$ 500,000
2003	$ 500,000
2004	$6,750,000
2005	$6,500,000

</TABLE>

In addition, commencing with the year ending December 31, 1999, the Company is required to make annual mandatory prepayments of the term loan under the new credit facility in an amount equal to 50% of excess cash flow (as defined in the new credit facility) (75% if the Company's leverage ratio exceeds a certain level). In addition, the term loan is subject to mandatory prepayments in an amount equal to (a) 100% of the net cash proceeds of certain equity and debt issuances by DonJoy, the Company or any of its subsidiaries and (b) 100% of the net cash proceeds of certain asset sales or other dispositions of property by DonJoy, the Company or any of its subsidiaries, in each case subject to certain exceptions.

The new credit facility and the indenture impose certain restrictions on the Company, including restrictions on its ability to incur indebtedness, pay dividends, make investments, grant liens, sell its assets and engage in certain other activities.

In addition, the new credit facility requires the Company to maintain certain financial ratios. Indebtedness under the new credit facility is secured by substantially all of the assets of the Company, including the Company's real and personal property, inventory, accounts receivable, intellectual property and other intangibles. See "Description of New Credit Facility."

The Company incurred fees and expenses of $8.7 million in connection with the Transactions. Approximately $7.2 million, principally relating to financing fees and expenses, will be capitalized and amortized over the terms of the related debt instruments.

In addition to its debt service obligations, the Company will require liquidity for capital expenditures and working capital needs. The Company expects 1999 capital expenditures to be approximately $7.0 million, $2.7 million of which is expected to be used for product development, systems upgrades and machinery and equipment, $2.0 million of which relates to payments due to I-Flow for the distribution rights to the PainBuster and $2.3 million of which relates to payments to IZEX Technologies for the license of technology and know-how for the design, manufacture and distribution of the VISTA System, an advanced rehabilitation bracing system. Capital expenditures through the first six months of 1999 totaled $2.7 million, $2.0 million of which relates to payments for the exclusive North American distribution rights for the PainBuster pain management and relief systems.

As part of its strategy the Company intends to pursue acquisitions, investments and strategic alliances. The Company may require new sources of financing to consummate any such transactions, including additional debt or equity financing. There can be no assurance that such additional sources of financing will be available on acceptable terms if at all.

The Company's ability to satisfy its debt obligations and to pay principal and interest on its indebtedness, including the notes, fund working capital requirements and make anticipated capital expenditures will depend on its future performance, which is subject to general economic, financial and other factors, some of which are beyond its control. Management believes that based on current levels of operations and anticipated growth, cash flow from operations, together with other available sources of funds including the availability of borrowings under the new revolving credit facility, will be adequate for the foreseeable future to make required payments of principal and interest on the Company's indebtedness, including the notes, to fund anticipated capital expenditures and for working capital requirements. There can be no assurance, however, that the Company's business will generate sufficient cash flow from operations or that future borrowings will be available under the new revolving credit facility in an amount sufficient to enable the Company to service its indebtedness, including the notes, or to fund its other liquidity needs.

MARKET RISK

The Company is exposed to certain market risks as part of its ongoing business operations. Primary exposure following consummation of the Transactions includes changes in interest rates. The Company, as a matter of policy, does not enter into derivative or other financial investments for trading or speculative purposes.

The Company will manage its interest rate risk by balancing the amount of fixed and variable debt. For fixed rate debt, interest rate changes affect the fair market value but do not impact earnings or cash flows. Conversely for variable rate debt, interest rate changes generally do not affect the fair market value but do impact future earnings and cash flows, assuming other factors are held constant. As of July 31, 1999, the Company had $100 million principal amount of fixed rate debt represented by the old notes and $15.5 million of variable rate debt represented by borrowings under the new credit facility. Up to $25.0 million of variable rate borrowings is available under the new revolving credit facility. The Company may use derivative financial instruments, where appropriate, to manage its interest rate risks.

SEASONALITY

The Company generally records its highest net revenues in the first and fourth quarters due to the greater number of orthopedic surgeries and injuries resulting from increased sports activity, particularly football and skiing. In addition, during the fourth quarter, a patient has a greater likelihood of having satisfied his annual insurance deductible than in the first three quarters of the year, and thus there is an increase in the number of elective orthopedic surgeries. Conversely, the Company generally has lower net revenues during its second and third quarters as a result of decreased sports activity and fewer orthopedic surgeries. The Company's results of operations would be adversely and disproportionately affected if the Company's sales were substantially lower than those normally expected during its first and fourth quarters.

YEAR 2000

The Company has assessed it readiness for the Year 2000 by focusing on four key areas: (1) internal infrastructure readiness, by addressing internal hardware and software, and non-information technology systems; (2) product readiness, by addressing the functionality of the Company's processes by which its products are developed, manufactured and distributed; (3) supplier readiness, by addressing the preparedness of key suppliers of the Company; and (4) customer readiness, by addressing customer support and transactional activity. For each readiness area, the Company is performing a risk assessment, conducting testing and remediation, developing contingency plans to mitigate unknown risk, and communicating with employees, suppliers, customers and other third parties to raise awareness of the Year 2000 issue.

INTERNAL INFRASTRUCTURE READINESS. The Company, assisted by third parties, has conducted an assessment of internal applications and computer hardware. Most software applications have been made Year 2000 compliant, and resources have been assigned to address other applications based on their importance and the time required to make them Year 2000 compliant. The Year 2000 compliance evaluation of hardware, including servers, desktops, telecommunication equipment and non-information technology systems, has been completed. All software and hardware remediation is expected to be completed no later than the third quarter of 1999.

PRODUCT READINESS. The Company has conducted an assessment to identify and resolve possible Year 2000 issues existing in the Company's processes by which it develops, manufactures and distributes its products. To date, the Company has not identified any Year 2000 issues with such processes.

SUPPLIER READINESS. The Company has identified and contacted key suppliers to solicit information on their Year 2000 readiness. To date, the responses the Company has received indicate that the Company's key suppliers are in compliance with Year 2000 requirements. Based on the Company's assessment of each supplier's progress to adequately address the Year 2000 issue, the Company will develop a supplier action list and contingency plans.

CUSTOMER READINESS. The Company has contacted key customers to assess their Year 2000 readiness. Based on the Company's assessment of each customer's progress to adequately address the Year 2000 issue, the Company will develop a customer action list and contingency plans.

During 1998 and the first six months of 1999, the Company expensed $337,000 for consulting services and software related to compliance with Year 2000 requirements. The Company estimates that the future costs of complying with the Year 2000 requirements will be approximately $40,000 in additional consulting and software and hardware purchases. The Company is continuing its assessments and developing alternatives that will necessitate refinement of this estimate over time. There can be no assurance, however, that there will not be a delay in, or increased costs associated with, the remedial actions described in this section.

Since the efforts described above are ongoing, all potential Year 2000

complications may have not yet been identified. Therefore, while the Company continues to believe the Year 2000 issues discussed above will not have a materially adverse impact on its business, financial condition or results of operations, it is not possible to determine with certainty whether or to what extent the Company may be affected.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board issued SFAS No. 130, Reporting Comprehensive Income. This standard is effective for fiscal years beginning after December 15, 1997. SFAS No. 130 requires that all components of comprehensive income, including net income, be reported in the financial statements in the period in which they are recognized. Comprehensive income is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. Net income and other comprehensive income, including foreign currency translation adjustments and unrealized gains and losses on investments, shall be reported, net of their tax related tax effect, to arrive at comprehensive income. The adoption of SFAS 130 resulted in comprehensive income that was the same as net income.

Effective January 1, 1998, the Company adopted the Financial Accounting Standards Board SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. SFAS No. 131 superseded SFAS No. 14 Financial Reporting for Segments of a Business Enterprise. SFAS No. 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. SFAS No. 131 also establishes standards for related disclosures about products and services, geographic areas, and major customers. The adoption of SFAS No. 131 did not affect results of operations or financial position, but did affect the disclosure of segment information. See Note 7 of Notes to Consolidated Financial Statements for information regarding industry segments.

BUSINESS

OVERVIEW

The Company is a world leading designer, manufacturer and marketer of orthopedic recovery products. Based on U.S. sales, the Company believes it is the leading provider of orthopedic recovery products and certain complementary products in the United States. The Company's broad product lines of rigid knee braces, soft goods and specialty and other orthopedic products provide a range of solutions for patients and orthopedic professionals during the various stages of the orthopedic treatment and recovery process. The Company's products can be used before, after and as an alternative to surgery, during and after rehabilitation and for the treatment of osteoarthritis. The Company is a market leader in the orthopedic recovery products industry, selling more than 500 individual products in over 50 countries throughout the world. The Company sells its products under the DonJoy and ProCare brand names, each of which the Company believes enjoys one of the highest levels of brand name recognition within the orthopedic recovery products industry. In addition to the typical orthopedic patient, the Company's products are used by professional athletes, NCAA athletic programs and the U.S. Ski Team. The Company believes that its leading market positions, strong brand names, reputation for quality products, broad product lines, established distribution networks in the United States and commitment to research and development provide it with significant opportunities to further grow revenues and earnings. For 1998 and the six months ended June 29, 1999, the Company's net revenues were $101.2 million and $54.7 million, respectively, and the Company's pro forma EBITDA (as defined) was $22.0 million and $11.5 million, respectively.

The Company's product lines include rigid knee braces, soft goods and a portfolio of specialty and other orthopedic products.

- RIGID KNEE BRACES. The Company's rigid knee braces include ligament braces, which provide durable support for knee ligament instabilities, post-operative braces, which provide both knee immobilization and a protected range of motion; and OA braces, which provide relief of knee pain due to osteoarthritis. These technologically-advanced products are generally prescribed to a patient by an orthopedic professional. The Company's rigid knee braces are either customized braces, utilizing basic frames which are then custom-manufactured to fit a patient's particular measurements, or are standard braces which are available "off-the-shelf" in various sizes and can be easily adjusted to fit the patient in the orthopedic professional's office. Substantially all of the Company's rigid knee braces are marketed under the DonJoy brand name. These products represented approximately 45% of the Company's net revenues for the twelve months ended June 29, 1999.

- SOFT GOODS. The Company's soft goods products, most of which are fabric or neoprene-based, provide support and/or heat retention and compression

for afflictions of the knee, ankle, back and upper extremities, including the shoulder, elbow, neck and wrist. Approximately 60% of the Company's soft goods products are marketed under the ProCare brand name, with the remainder marketed under the DonJoy brand name. These products represented approximately 34% of the Company's net revenues for the twelve months ended June 29, 1999.

- SPECIALTY AND OTHER ORTHOPEDIC PRODUCTS. The Company's portfolio of specialty and other orthopedic products, which are designed to facilitate orthopedic rehabilitation, include lower extremity walkers (boots which are an alternative to lower extremity casting), upper extremity braces (shoulder and arm braces and slings), cold therapy systems (a form of pain management which provides continuous cold therapy to assist in the reduction of pain and swelling) and pain management delivery systems (a range of ambulatory infusion pumps for the delivery of local anesthetic directly into a joint following surgery). Approximately 80% of the Company's specialty and other orthopedic products are marketed under the DonJoy brand name, with the remainder marketed under the ProCare brand name. These products represented approximately 21% of the Company's net revenues for the twelve months ended June 29, 1999.

The Company sells its DonJoy products primarily to orthopedic surgeons, orthotic and prosthetic centers, hospitals, surgery centers, physical therapists and trainers to meet the specific needs of their patients. The Company sells its ProCare products under private label brand names primarily to third party distributors who generally resell the Company's products to large hospital chains, hospital buying groups, primary care networks and orthopedic physicians. The Company's products are used by people who have sustained an injury, have recently completed an orthopedic surgical procedure and/or suffer from an affliction of the joint. In addition, a number of high profile professional and amateur athletes who participate in sports such as football, basketball and skiing, choose to use the Company's products.

COMPETITIVE STRENGTHS

The Company believes that the following competitive strengths provide it with a strong and stable base to enable the Company to further enhance growth and profitability.

LEADING MARKET POSITIONS. The Company is a world leading designer, manufacturer and marketer of orthopedic recovery products and, based on U.S. sales, the Company believes it is the leading provider of orthopedic recovery products and certain complementary products in the United States, with an estimated market share of 20%. Based on U.S. sales, the Company believes it holds the leading U.S. market position for ligament and post-operative braces, with estimated market shares of 28% and 25%, respectively, the number two market position for OA braces, with an estimated market share of 13%, and leading positions in the markets for certain of the Company's other products. The Company has established its leadership positions:

- by delivering innovative products that provide patients with superior quality and value;

- through successful marketing and sales programs which focus on gaining the support of widely recognized orthopedic professionals and maintaining strong relationships with the Company's customers; and

- by delivering quality products with a high standard of customer service, including by shipping the majority of the Company's products within 24

hours of receipt of the customer order, or 72 hours in the case of customized knee braces.

STRONG BRAND NAME RECOGNITION AND REPUTATION FOR QUALITY. The Company's products have achieved a high degree of brand name recognition and loyalty from its customers. The Company believes DonJoy is the most recognized brand name of knee braces in the orthopedic recovery products industry. In addition, the Company's ProCare brand name is well recognized by third party distributors of soft goods in the orthopedic recovery products industry. The Company's other trademarks include product names that are well known among orthopedic professionals which the Company believes provide it with a significant competitive advantage. The Company's products are known for their design, quality construction and durability. The Company's braces are used by a number of professional athletes and NCAA athletic programs. The Company is also the official and exclusive supplier of braces and supports to the U.S. Ski Team and the Company believes it is the leading supplier of knee braces to players in the National Football League.

BROAD PRODUCT LINES. The Company believes that it has one of the broadest product lines in the orthopedic recovery products industry. The Company markets over 500 individual products which provide solutions to patients and orthopedic professionals in addressing the various stages of the orthopedic treatment and recovery process.

- The Company's quality soft goods products are used by patients to address a wide range of orthopedic injuries and afflictions.

- The Company's customized and off-the-shelf rigid knee braces are used as an alternative to surgery, to help bring patients back to pre-injury levels post-surgery or to support the normal functioning of the knee for patients who have returned to pre-injury activity levels.

- The Company's other specialized devices such as cold therapy systems and pain management delivery systems are used by patients who have just undergone orthopedic surgery.

ESTABLISHED U.S. DISTRIBUTION NETWORKS. The Company has established broad distribution networks within the United States. The Company's DonJoy product lines are marketed by 26 commissioned sales organizations (referred to as agents in this prospectus) which employ approximately 185 sales representatives. These sales representatives undergo extensive training by both the Company and the agent and use their technical expertise to market our products to orthopedic surgeons, orthotic and prosthetic centers, hospitals, surgery centers, physical therapists and trainers. The Company sells its ProCare products primarily to large, national third party distributors, including Owens & Minor Inc., McKesson Corp., General Medical Corp. and Bergen Brunswig Corp., as well as to regional medical surgical dealers and medical products buying groups. The Company believes that its strong distribution networks in the United States provide the Company with an established base from which to introduce new or enhanced products and expand sales of existing product lines.

SUCCESSFUL RECORD OF NEW PRODUCT DEVELOPMENT. The Company has developed a reputation as a research and development leader by introducing a steady flow of product enhancements and new products into the market. Since 1995, the

Company introduced 8 significant new products, sales of which represented approximately 25% of the Company's net revenues for the year ended December 31, 1998. The Company owns or has licensing rights to more than 60 patents, including the "Four Points of Leverage" system, which is a critical element in the design of the Company's ligament braces. In addition, the Company maintains close relationships with a number of widely recognized orthopedic surgeons and sports medicine specialists who assist in product research, development and marketing. These professionals often become product "champions," speaking about the Company's products at medical seminars, assisting in the training of other professionals in the use and/or fitting of the products and providing us with feedback on the industry's acceptance of the new products.

EXPERIENCED AND INCENTIVIZED MANAGEMENT TEAM. The Company's management team has extensive experience in the orthopedic recovery products industry. The Company's six senior executives have an average of 11 years of experience with the Company and an average of over 20 years of experience within the orthopedic recovery products industry. As a result of the recapitalization, management owns or has the right to acquire pursuant to options, subject to certain conditions, up to approximately 17% of DonJoy's equity interests on a fully diluted basis.

BUSINESS STRATEGY

The Company's strategic objectives are to strengthen its leadership position in the orthopedic recovery products industry and to increase its revenues and profitability. As a stand alone entity, the Company will be able to pursue strategic initiatives which were previously not possible. The Company intends to:

- broaden its market reach,

- enhance and grow its core business, and

- expand its business platform.

The key elements of its business strategy are to:

INCREASE INTERNATIONAL SALES. International sales, primarily in Europe and Japan, accounted for approximately 16% of the Company's net revenues for the twelve months ended June 29, 1999, and represent a significant area for potential growth. The Company plans to increase its international sales by reorganizing and expanding its international distribution network and implementing the marketing and distribution strategies which the Company successfully utilizes in the United States and certain international

territories. For example, in Germany, the Company's largest international market representing approximately one-third of international revenues in 1998, where the Company markets its products through an independent distributor, the Company believes it has achieved market shares comparable to those it has achieved in the United States through an independent distributor. Historically, approximately 55% of the Company's international sales were made through 30 Smith & Nephew sales organizations, with the remainder made through 14 independent distributors. The Company intends to replace most of its existing Smith & Nephew sales organizations with independent distributors who will focus on building strong relationships with its targeted customers and will be responsible for achieving specified sales targets. As of August 1, 1999, the Company has replaced the Smith & Nephew sales organizations in Japan, New

Zealand and Hong Kong with independent distributors. The Company has also given notice to Smith & Nephew that the Company will terminate 16 of the remaining 27 Smith & Nephew sales organizations by the beginning of 2000. In addition, the Company plans to develop relationships with orthopedic professionals who are well recognized in our targeted countries, some of whom the Company expects will become product "champions," similar to orthopedic professionals in the United States. The Company will focus on implementing its strategies in the United Kingdom, France, Italy and Spain and will continue its focus in Germany, all countries with substantial per capita health care expenditures.

IMPROVE OPERATING EFFICIENCIES. The Company is actively pursuing opportunities to improve the efficiencies of its vertically integrated manufacturing operations. By upgrading its computer systems to achieve more efficient production, the Company expects to achieve material and labor cost reductions as well as economies of scale across its entire manufacturing operation. The Company also plans to further automate its manufacturing operations through the use of more technologically advanced fabrication equipment and systems. In addition, the Company will continue to move portions of its labor intensive operations to its facilities in Mexico to generate labor cost savings and utilize the resulting additional capacity in its U.S. facility to manufacture its more technologically advanced products. The Company will continue to rationalize the raw materials used in the production of its existing products, thereby enabling the Company to leverage its purchasing power. The Company also plans to achieve cost savings by further reducing the number of stock keeping units (SKUs) without impacting service or breadth of the Company's product range.

INTRODUCE NEW PRODUCTS AND PRODUCT ENHANCEMENTS. The Company intends to maintain its position as a leading innovator of orthopedic recovery products through its commitment to research and development and its close working relationships with orthopedic professionals. Using its materials, process and design expertise in bracing and supports, the Company will continue to enhance its current range of products to address changing customer needs. In addition, the Company intends to add complementary products through its own research and development efforts and arrangements with third parties. For example, the Company has introduced two pain management systems, the IceMan, a cold therapy system which it developed, and, more recently, the PainBuster product line, a range of ambulatory infusion pumps which it distributes under a licensing arrangement and which the Company believes provides it with a platform for further opportunities in the surgical market. The Company is also currently developing the VISTA System, a computerized post-operative brace designed to optimize a patient's rehabilitation in the treatment of knee injuries, which the Company believes is the only such system currently under development.

PURSUE STRATEGIC GROWTH OPPORTUNITIES. The orthopedic recovery products industry is highly fragmented and provides the Company with a number of potential acquisition, investment and strategic alliance opportunities. The Company intends to pursue strategic growth opportunities that will allow it to leverage its existing distribution networks, brand name recognition and expertise in research and development to increase revenues and cash flow. For example, the Company

will seek growth opportunities through acquisitions, investments or strategic alliances that will:

- expand the Company's core business,

- enable the Company to offer complementary products, and

- diversify into the broader orthopedic products industry.

INDUSTRY

The orthopedic recovery products industry, the primary industry in which

the Company currently competes, is a segment of the worldwide orthopedic products industry, which had estimated sales in 1998 of $8.5 billion, including estimated U.S. sales of $5.1 billion. The worldwide orthopedic products market includes reconstructive implants, tissue fixation and healing products, orthopedic recovery products, spinal implants, arthroscopy products, and other related products. The orthopedic recovery products industry includes retail and non-retail sales of braces and supports for the knee, ankle, back and upper extremities, including the shoulder, elbow, neck and wrist and other related products. The U.S. orthopedic recovery products industry generated estimated revenues of $630 million in 1998. The Company currently competes in the non-retail segment of the U.S. orthopedic recovery products industry, which generated estimated revenues of $535 million in 1998. The European orthopedic recovery products industry generated estimated revenues of $330 million in 1998. Comparable data for the rest of the world is not readily available. Complementary market segments to the orthopedic recovery products industry within the overall orthopedic products industry include orthopedic pain management systems and devices, a market in which the Company currently competes, and which generated estimated 1998 U.S. revenues of $150 million, and soft tissue fixation products and tissue healing products, which represent attractive markets for the Company and which generated estimated 1998 U.S. revenues of $350 million. Comparable data for Europe and the rest of the world is not readily available.

The orthopedic recovery products industry is highly fragmented and characterized by competition among a few large, diversified orthopedic companies and numerous smaller niche competitors. Revenues in the U.S. orthopedic recovery products industry grew at an estimated compound annual growth rate of 3.5% from 1994 through 1998. This growth has been driven by increased participation in exercise, sports and other physical activity, the aging "baby boomer" population including adults suffering from osteoarthritis, and a growing awareness of the importance of preventative bracing. Comparable data for Europe and the rest of the world is not readily available.

The Company believes data set forth in this prospectus regarding the orthopedic products industry and its segments and the Company's market position and market share within that industry or its segments are inherently imprecise, but are generally indicative of their relative size and the Company's market position and market share within that industry or its segments. Estimated revenues for the orthopedic recovery products industry and its segments and the historical growth rates for such industry and its segments are based on information obtained from Frost & Sullivan. See "Industry Data."

The following are descriptions of segments of the U.S. orthopedic recovery products industry. Comparable data for Europe and the rest of the world is not readily available.

KNEE BRACES AND SUPPORTS

The retail and non-retail knee brace and support market generated estimated revenues of $272 million in 1998, of which approximately $242 million was generated in the non-retail segment in which the Company competes. The knee brace and support market consists of ligament braces, post-operative braces, osteoarthritic braces, and soft knee supports. Revenues in this segment of the industry grew at an estimated compound annual growth rate of 3.0% from 1994 through 1998. This stable market growth is characterized by increased volume and modestly declining prices. Knee injuries are the most common affliction treated by orthopedic professionals, with approximately 644,000 knee procedures performed in 1998, including ligament repair, tissue repair and total knee replacement procedures.

The Company believes it is the U.S. market leader in ligament braces and post-operative braces with an estimated 28% and 25% market share, respectively, and the number two U.S. provider of OA braces, with an estimated 13% market share. The knee brace and support market is highly fragmented. Many of the participants in this market are primarily suppliers of soft knee supports.

ANKLE BRACES AND SUPPORTS

The retail and non-retail ankle brace and support market generated estimated revenues of $157 million in 1998, of which approximately $131 million was generated in the non-retail segment in which the Company competes. The ankle brace and support market consists of lower extremity walkers, rigid ankle stirrups and soft ankle supports sold through an orthopedic prescribing professional and other soft ankle supports sold primarily in the retail segment. Revenues in this segment of the industry grew at an estimated compound annual growth rate of 6.6% from 1994 through 1998. In 1998, over 2,000,000 people sought medical attention for ankle and foot injuries. In the non-retail segment, the Company believes it is the market leader in soft ankle supports with an estimated 17% market share and one of the market leaders of lower extremity walkers with an estimated 10% market share.

BACK, WRIST, AND UPPER EXTREMITY BRACES AND SUPPORTS

The retail and non-retail back, wrist and upper extremity markets collectively generated estimated revenues of $175 million in 1998, of which approximately $147 million was generated in the non-retail segment in which the Company competes. The back, wrist and upper extremity markets consist of orthopedic braces and supports to address afflictions of the back, wrist, shoulder, elbow and neck which are sold in the prescriptive non-retail segment as well as in the retail segment. Aggregate revenues in these segments of the industry grew at an estimated compound annual growth rate of 3.1% from 1994 through 1998. The Company believes certain of the Company's products enjoy leading market positions in these markets.

COMPLEMENTARY ORTHOPEDIC PRODUCTS

Complementary orthopedic products include orthopedic pain management systems and devices, markets in which the Company currently competes, and soft tissue fixation and tissue healing products, which represent attractive markets for the Company. These products represented revenues of approximately $150 million and approximately $350 million, respectively, in 1998. Pain management systems and devices include infusion pumps that administer local anesthetic into the joint after a patient has undergone surgery. Soft tissue fixation products include devices to reattach soft tissue to the bone and tissue healing products include bone growth stimulation products.

PRODUCTS

The Company offers a broad range of products that provide a range of solutions for patients and orthopedic professionals during various stages of the orthopedic treatment and recovery process. The Company's core products are rigid knee braces and soft goods. In addition, the Company offers a growing number of complementary specialty and other orthopedic products. The Company's product lines provide a range of treatment during the orthopedic recovery process, from soft goods which are generally used after injury, whether or not surgery is contemplated, to rigid knee braces and other specialty products which are generally prescribed for use after surgery and during and after rehabilitation.

The Company markets its products under the DonJoy and ProCare brand names. The Company marketed approximately 97% of its rigid knee braces, 83% of its specialty and other orthopedic products and 40% of its soft goods products under the DonJoy brand name during the twelve months ended June 29, 1999. The Company believes DonJoy is the most recognized brand name of knee braces in the orthopedic recovery products industry. The Company marketed approximately 60% of its soft goods products, 17% of its specialty and other orthopedic products and 3% of its rigid knee braces under the ProCare brand name during the twelve months ended June 29, 1999. The ProCare brand name is well recognized by third party distributors of soft goods in the orthopedic recovery products industry.

RIGID KNEE BRACING

The Company designs, manufactures and markets a broad range of rigid knee bracing products, including ligament braces, post-operative braces and OA braces. These technologically-advanced products are generally prescribed to a patient by an orthopedic professional. The Company's rigid knee braces are either customized braces, utilizing basic frames which are then custom-manufactured to fit a patient's particular measurements, or are standard braces which are available "off-the-shelf" in various sizes and can be easily adjusted to fit the patient in the orthopedic professional's office. Rigid knee bracing products represented approximately 45% of the Company's net revenues for the twelve months ended June 29, 1999.

LIGAMENT BRACES. Ligament braces provide durable support for moderate to severe knee ligament instabilities to help patients regain range-of-motion capability so they can successfully complete rehabilitation and resume the activities of daily living after knee surgery or injury. They are generally prescribed six to eight weeks

after knee surgery, often after use of a more restrictive post-operative brace. The Company's ligament braces can also be used to support the normal functioning of the knee for patients who have returned to pre-injury activity levels. The Company's ligament bracing product line includes premium customized braces generally designed for strenuous athletic activity and off-the-shelf braces generally designed for use in less rigorous activity. All of the Company's ligament braces are designed using the Company's patented "Four Points of Leverage" system.

POST-OPERATIVE BRACES. Post-operative braces limit a patient's range of

motion after knee surgery and protect the repaired ligaments/joints from stress and strain which would otherwise slow or prevent a healthy healing process. The products within this line provide both immobilization and a protected range of motion, depending on the rehabilitation protocol prescribed by the orthopedic surgeon. The Company's post-operative bracing product line includes a range of premium to lower-priced off-the-shelf braces and accessory products.

OA BRACES. OA braces are used to treat patients suffering from osteoarthritis, a form of damage to the articular surface of the knee joint. The Company's line of customized and off-the-shelf OA braces is designed to shift the resultant load going through the knee, providing additional stability and reducing pain, and in some cases may serve as a cost-efficient alternative to total knee replacement.

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The following table sets forth information on the Company's primary products within the three rigid knee bracing product lines, all of which are sold under the DonJoy brand name:

<TABLE>
<CAPTION>

PRODUCT	TYPE OF BRACE	YEAR INTRODUCED	FUNCTION/DESCRIPTION
DEFIANCE CUSTOM KNEE BRACE ENHANCED DEFIANCE CUSTOM KNEE BRACE	Ligament/OA	1992 1998	The Company's hallmark premium brace. Custom-built, lightweight, strong and durable. Designed for strenuous athletic activity.
4-TITUDE BRACE	Ligament	1999	The Company's newest off-the-shelf brace. Introduced in June 1999.
LEGEND BRACE	Ligament	1995	Sturdy, low-profile, off-the-shelf brace. Designed for athletic use.
GOLDPOINT BRACE	Ligament	1991	The Company's first generation off-the-shelf ligament brace.
TROM POST-OPERATIVE BRACE	Post-operative	1998	Allows for both immobilization and protected range of motion after surgery. Utilizes the Company's easy-to-use patented hinge assembly.
TROM REHABILITATION BRACE	Post-operative	1998	Designed to provide protection for the recovering knee for up to 8 months within a program of aggressive long-term rehabilitation. Utilizes the Company's easy-to-use patented hinge assembly.
IROM BRACE	Post-operative	1992	Used for ligament instabilities. Allows for both immobilization and protected range of motion.
MONARCH CUSTOM OA BRACE PATIENT READY MONARCH OA BRACE MONARCH II BRACE	OA	1994 1996 1999	Custom-built or off-the-shelf, flexible premium braces recommended for relief of OA pain and ease of use. Can be easily adjusted by the patient. The Monarch II is the newest off-the-shelf OA brace and is expected to be introduced by the end of 1999.
OPAL OA KNEE BRACE	OA	1998	Off-the-shelf, comfortable, light-weight, low-profile, slip-on sleeve-style Drytex brace. Specifically designed for women.

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SOFT GOODS

The Company's soft goods products, most of which are fabric or neoprene-based, provide support and/or heat retention and compression for afflictions of the knee, ankle, back and upper extremities, including the shoulder, elbow, neck and wrist. The Company currently offers products ranging from simple neoprene knee sleeves to complex products that incorporate advanced materials and features such as air-inflated cushions and metal alloy hinge components. The Company's soft goods products include the RocketSoc, an ankle support designed for chronic sprains, the Playmaker, a neoprene knee brace for mild to moderate ligament instabilities, and the Air DonJoy, a line of knee sleeves with air inflatable cushions designed to treat and ease pain from knee malalignment. Soft goods products represented approximately 34% of the Company's net revenues for the twelve months ended June 29, 1999.

SPECIALTY AND OTHER ORTHOPEDIC PRODUCTS

The Company has a portfolio of specialty and other orthopedic recovery products designed to facilitate orthopedic rehabilitation, including lower extremity walkers, upper extremity braces, cold therapy systems, pain management delivery systems and other related products and accessories. These products represented approximately 21% of the Company's net revenues for the twelve months ended June 29, 1999.

LOWER EXTREMITY WALKERS. These products are boots which fit on a patient's foot and provide comfort and stability for ankle and foot injuries. Because they can be removed for showering or therapy, the Company's walkers are used as an alternative to traditional casts. Sales of walkers represented approximately half of the net revenues from specialty and other orthopedic products in 1998.

UPPER EXTREMITY BRACES. The Company offers a line of shoulder and arm braces and slings, including the Quadrant Shoulder Brace and the UltraSling. The Quadrant Shoulder Brace is technologically advanced and designed for immobilization after shoulder surgery and allows for controlled motion. The UltraSling is a durable oversized sling which offers lower-priced immobilization and support for mild shoulder sprains and strains.

COLD THERAPY SYSTEMS. The Company manufactures, markets and sells the IceMan, a cold therapy product which was introduced in 1996, as well as other cold therapy products such as ice packs and wraps. The IceMan is a portable device used after surgery or injury to reduce swelling, minimize the need for post-operative pain medications and accelerate the rehabilitation process. The product consists of a durable quiet pump and control system which is used to circulate cold water from a reservoir to a pad which is designed to fit the afflicted area, such as the ankle, knee or shoulder. The IceMan uses a patented circulation system to provide constant fluid flow rates, thereby minimizing temperature fluctuations which can reduce device effectiveness and create the potential for tissue or nerve damage.

PAIN MANAGEMENT DELIVERY SYSTEMS. The Company entered into an arrangement in 1998 with I-Flow Corporation ("I-Flow") for the exclusive North American distribution rights for the PainBuster pain management and relief systems

manufactured by I-Flow for use after orthopedic surgical procedures. These pain management and relief systems provide a continuous infusion of local anesthetic dispensed by the physician directly into the wound site following surgical procedures. The portable PainBuster delivery systems consist of a range of introducer needles, catheters for easy insertion and connection during surgery and pumps for continuous infusion for up to 96 hours. The PainBuster systems are intended to provide direct pain relief, reduce hospital stays and allow earlier and greater ambulation. The Company believes that the PainBuster provides it with a platform for further opportunities in the surgical market.

RESEARCH AND DEVELOPMENT

The Company's research and development program is aimed at developing and enhancing products, processes and technologies to maintain the Company's position as a leading innovator in the orthopedic recovery products industry. The Company's research and development expenditures were $2.2 million, $2.1 million and $1.8 million during the years ended December 31, 1998, 1997 and 1996, respectively.

The Company's research and development activities are conducted in its Vista facility by a group of 12 product engineers and designers who have an average of 11 years experience in developing and designing products using advanced technologies, processes and materials. The research and development team uses a variety of computational tools and computer aided design (CAD) systems during the development process, which allow a design to be directly produced on computer-based fabrication equipment, reducing both production time and costs.

The Company's current research and development activities are focused on using new materials, innovative designs and state of the art manufacturing processes to develop new products and to enhance the Company's existing products. The Company is also pursuing strategic initiatives to identify areas for technological innovation and to develop products that improve rehabilitation by utilizing advanced technologies. For example, the Company is currently developing the VISTA system, a computerized post-operative brace designed to optimize a patient's rehabilitation in the treatment of knee injuries, which the Company believes is the only such system currently under development.

The Company has developed and maintains close relationships with a number of widely recognized orthopedic surgeons and sports medicine specialists who assist in product research, development and marketing. These professionals often become product "champions", speaking about the Company's products at medical seminars, assisting in the training of other professionals in the use and/or fitting of the products and providing the Company with feedback on the industry's acceptance of the new products. Some of these surgeons and specialists who participate in the design of products and/or provide consulting services have contractual relationships with the Company under which they receive royalty payments or consultant fees in connection with the development of particular products with which they have been involved. See "-- Government Regulation."

The Company maintains the Clinical Education Research Facility (CERF) Laboratory in its Vista facility which is used by orthopedic surgeons to practice surgical techniques. These surgeons often provide the Company with feedback

which assists the Company in the development and enhancement of products. In addition, the Company utilizes its biomechanical laboratory in its Vista facility to test the effectiveness of the Company's products. The Company believes it is the only orthopedic recovery products manufacturer which has both surgical techniques and biomechanical laboratories, the combination of which allows professionals to practice procedures and then to measure the effectiveness of those procedures. In addition, the Company provides external clinical and academic research grants to leading health care professionals and institutions.

SALES, MARKETING AND DISTRIBUTION

The Company distributes its products in the U.S. and international markets primarily through networks of agents and distributors who market and sell to orthopedic surgeons, orthotic and prosthetic centers, third party distributors, hospitals, surgery centers, physical therapists and trainers within the orthopedic community. The Company's products are used by people who have sustained an injury, have recently completed an orthopedic surgical procedure and/or suffer from an affliction of the joint. In addition, a number of high profile professional and amateur athletes who participate in sports such as football, basketball and skiing, choose to use the Company's products. The Company is the official and exclusive supplier of braces and supports to the U.S. Ski Team. In addition, the Company believes it is the leading supplier of knee braces to players in the National Football League, among whom use of knee braces has more than tripled over the last two years according to a recent survey of NFL team physicians. No individual agent or distributor accounted for more than 10% of the Company's net revenues for the year ended December 31, 1998.

The Company is committed to providing its customers with a superior standard of customer service. The Company's 37 customer service representatives strive for prompt product processing and delivery by coordinating between the customer and the Company's sales, operations and shipping departments. The Company ships the majority of its products within 24 hours of receipt of the customer order, or 72 hours in the case of customized braces. In addition, customer service representatives provide follow-up and technical support.

UNITED STATES

The Company markets products in the United States under the DonJoy and ProCare brands through two distinct sales and distribution channels as well as under national contracts and through the OfficeCare program. Sales in the United States accounted for approximately 84% of the Company's net revenues for the twelve months ended June 29, 1999.

DONJOY. DonJoy products are marketed by 26 commissioned sales organizations (referred to herein as agents) which employ approximately 185 sales representatives. These sales representatives market to orthopedic surgeons, orthotic and prosthetic centers, hospitals, surgery centers, physical therapists and trainers. Because the DonJoy product line generally requires customer education on the application and use of the product, the sales representatives are technical specialists who receive extensive training from both the Company and the agent and use their technical expertise to help fit the

patient with the Company's product

and assist the orthopedic professional in choosing the appropriate product to meet the patient's needs. After a product order is received by a sales representative, the Company ships and bills the product directly to the orthopedic professional and the Company pays a sales commission to the agent.

The Company enjoys long-standing relationships with most of its 26 agents, many of which have marketed DonJoy products for over 10 years. Under the arrangements with the agents, each agent is granted an exclusive geographic territory for sales of the Company's products and is not permitted to market products, or represent competitors who sell or distribute products, that compete with the Company. The agents receive a commission which varies based on the type of product being sold. If an agent fails to achieve specified sales quotas during any quarter, the Company may terminate the agent, which the Company has done in the past.

PROCARE. ProCare products are sold in non-exclusive territories under private label brand names to third party distributors. These distributors include large, national third party distributors such as Owens & Minor Inc., McKesson Corp., General Medical Corp., Allegiance Corp., PSS World Medical Inc. and Bergen Brunswig Corp.; regional medical surgical dealers; and medical products buying groups which consist of a number of dealers who make purchases through the buying group. These distributors generally resell the ProCare products to large hospital chains, hospital buying groups, primary care networks and orthopedic physicians for use by the patient. Unlike DonJoy products, ProCare products generally do not require significant customer education for their use.

NATIONAL CONTRACTS. In response to the emergence of managed care and the formation of buying groups, national purchasing contracts and various bidding procedures imposed by hospitals and buying groups, the Company has entered into national contracts for DonJoy and ProCare products with large health care providers and buying groups, such as Kaiser Permanente, HealthSouth Corp., NovaCare Inc., Premier Purchasing Partners, L.P., AmeriNet Inc. and US Government/Military hospitals. Under these contracts, the Company provides discounted pricing to the buying group and is generally designated as one of several preferred purchasing sources for the members of the buying group for specified products, although the members are not obligated to purchase the Company's products. The Company expects that in the future it will enter into additional national contracts with other health care providers and buying groups. See "Risk Factors -- Responses by Health Care Providers to Price Pressures; Formation of Buying Groups" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview -- Third Party Reimbursement; Health Care Reform; Managed Care."

OFFICECARE. The Company provides an inventory management and insurance billing system to orthopedic physicians in the U.S. through its OfficeCare program, which was initiated in 1996. The Company supplies the physician with a working inventory of orthopedic products for immediate disbursement to the physician's patients. The Company then directly seeks reimbursement from the patient's insurance company or other third party payor or from the patient where self-pay is applicable.

INTERNATIONAL

The Company markets products in 50 countries, primarily in Europe and Japan, under the DonJoy and ProCare brand names. International sales accounted for approximately 18% and 16% of the Company's net revenues for the year ended December 31, 1998 and the twelve months ended June 29, 1999, respectively. Sales in Germany, the Company's largest foreign market, accounted for approximately one-third of the Company's 1998 international net revenues, with no other country accounting for more than approximately 10% of the Company's 1998 international net revenues. Sales in Europe, primarily Germany, the United Kingdom, France, Spain and Italy, accounted for approximately 69% of the Company's 1998 international net revenues. Sales in Japan accounted for approximately 7% of the Company's 1998 international net revenues. The Company expects its international net revenues to increase as a percentage of its total net revenues in the future.

Historically, the Company has sold and distributed its products in foreign markets through 30 Smith & Nephew sales organizations and 14 independent distributors. The Company plans to increase its international sales by reorganizing and expanding its international distribution network and implementing the marketing and distribution strategies which the Company successfully utilizes in the United States and certain international territories. For example, in Germany, where the Company markets its products

through an independent distributor, the Company believes it has achieved market shares comparable to those it has achieved in the United States. Historically, approximately 55% of the Company's international sales have been made through Smith & Nephew sales organizations. The Company intends to replace most of its existing Smith & Nephew sales organizations with independent distributors who will focus on building strong relationships with its targeted customers and will be responsible for achieving specified sales targets. As of August 1, 1999, the Company has replaced the Smith & Nephew sales organizations in Japan, New Zealand and Hong Kong with independent distributors. The Company has also given notice to Smith & Nephew that the Company will terminate 16 of the remaining 27 Smith & Nephew sales organizations by the beginning of 2000. The Company is currently negotiating to have its German distributor distribute the Company's products in one or more additional European countries. In addition, the Company plans to develop relationships with orthopedic professionals who are well recognized in targeted countries and who are expected to become product "champions", similar to orthopedic professionals in the United States. The Company will focus on implementing its strategies in the United Kingdom, France, Italy and Spain and will continue its focus in Germany, all countries with substantial per capita health care expenditures. See "Risk Factors -- Transition to New Independent Distributors in International Markets," "Management's Discussion and Analysis of Financial Condition and Results of Operations -- International Sales," "-- Business Strategy."

MANUFACTURING

The Company manufactures substantially all of its products at its three facilities in the United States and Mexico. See "-- Facilities." The Company operates a vertically integrated manufacturing operation at its Vista, California

facility and is capable of producing a majority of its subassemblies and components in-house. These include metal stamped parts, injection molding components and fabric-strapping materials. The Company also has extensive in-house tool and die fabrication capabilities which provide savings in the development of typically expensive tools and molds as well as flexibility to capitalize on market opportunities as they are identified. Utilizing a variety of computational tools and computer aided design (CAD) systems during the development process, the Company can produce a design directly on computer-based fabrication equipment, reducing both production time and costs.

The Company has achieved ISO 9001 certification, EN46001 certification and Certification to the European Medical Device Directive at its Vista facility. These certifications are internationally recognized quality standards for manufacturing and assist the Company in marketing its products in certain foreign markets.

As a result of its use of production technology in its Vista facility, the Company is able to reduce the labor content of many of its products. For labor intensive operations, primarily sewing, the Company utilizes its two facilities in Mexico for subassembly and finished product manufacturing. The Company will continue to move portions of its labor intensive operations to its facilities in Mexico to generate labor cost savings and utilize the resulting additional capacity in its Vista facility to manufacture its more technologically advanced products.

The Company's manufacturing operations use new and innovative technologies and materials including thermoplastics, various composites and polypropylene glass, as well as a variety of light weight metals and alloys. The Company also uses Velcro(TM) and neoprene, as well as Drytex, a warp-knit nylon and polyester composite, in the manufacture of its products. All of the raw materials used by the Company in the manufacture of its products are available from more than one source and are generally readily available on the open market.

The Company purchases a small amount of certain finished products from manufacturers in China. In addition, the Company distributes the PainBuster systems which are manufactured by I-Flow as well as certain other products which are manufactured by third parties.

FACILITIES

The Company is headquartered in Vista, California and operates 3 manufacturing facilities. Manufacturing operations in the United States were consolidated in 1998 into the Vista facility which consists of three buildings. The Vista facility is subleased from Smith & Nephew. See "Certain Relationships and Related Transactions -- Other Agreements between DonJoy and Smith & Nephew --

Sublease." The two other facilities are located in Tijuana, Mexico, within 100 miles of Vista, and are managed from the Vista facility.

LOCATION	USE	OWNED/ LEASED	LEASE TERMINATION DATE	SIZE (SQUARE FEET)
Vista, California	Corporate Headquarters Research & Development Manufacturing & Distribution Warehousing	Leased	February 2008	266,000
Tijuana, Mexico	Manufacturing	Leased	December 2000(1)	48,600
Tijuana, Mexico	Manufacturing	Owned		13,000

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(1) The lease for the Tijuana facility automatically renews for additional one year periods unless terminated by either party on 30 days prior written notice.

COMPETITION

The orthopedic recovery products industry is highly competitive and fragmented. The Company's competitors include a few large, diversified orthopedic companies and numerous smaller niche companies. Some of the Company's competitors are part of corporate groups that have significantly greater financial, marketing and other resources than the Company. The Company's primary competitors in the rigid knee brace market include DePuy OrthoTech (a division of Johnson & Johnson), Innovation Sports Incorporated, Townsend Industries Inc., Bledsoe Brace Systems (a division of Medical Technology, Inc.) and Generation II USA, Inc. The Company competes in the non-retail sector of the soft goods products market and its competitors include DeRoyal Industries, Zimmer, Inc. (a division of Bristol-Meyers Squibb Company) and Technol Orthopedic Products (a division of Kimberly Clark Corp.). The Company competes with a variety of manufacturers of specialty and other orthopedic products, depending on the type of product. In addition, in certain foreign countries, the Company competes with one or more local competitors.

Competition in the rigid knee brace market is primarily based on product technology, quality and reputation, relationships with customers, service and price, whereas competition in the soft goods market is less dependent on innovation and technology and is primarily based on product range, service and price. Competition in specialty and other orthopedic products is based on a variety of factors, depending on the type of product.

The Company believes that its extensive product lines, advanced product design, strong U.S. distribution networks, reputation with leading orthopedic surgeons and sports medicine specialists and customer service performance provide it with a competitive advantage over its competitors. In particular, the Company believes that its broad product lines provide it with a competitive advantage over the smaller niche companies which generally have innovative

technology in a focused product category, while its established distribution networks and relationship-based selling efforts provide it with a competitive advantage over larger manufacturers.

INTELLECTUAL PROPERTY

The Company's most significant intellectual property rights are its patents, trademarks, including the Company's DonJoy and ProCare brand names, and proprietary know-how.

The Company owns or has licensing rights to over 60 patents and has several pending patent applications. The Company anticipates that it will apply for additional patents in the future as it develops new products and product enhancements. The Company's most significant patent involves the bracing technology and design which it has patented as the "Four Points of Leverage" system. All of the Company's ligament bracing products have been designed using the "Four Points of Leverage" system which effectively produces pressure to the upper portion of the tibia, which, in turn, reduces strain on the damaged, reconstructed or torn ligament. Because this system is patented, the Company's competitors are prohibited from designing products which apply pressure to the tibia using the Company's technique. The Company's patent covering the "Four Points of Leverage" system expires in January 2005. The Company's other significant patents include the Custom Contour Measuring Instrument, which

serves as an integral part of the measurement process for patients ordering the Company's customized ligament and OA braces. In addition, the Company owns patents covering a series of hinges for its post-operative braces, as well as pneumatic pad design and production technologies (which utilize air inflatable cushions that allow the patient to vary the location and degree of support) used in braces such as the Defiance and the Patient Ready Monarch. The Company also has patents relating to its OA braces and specific mechanisms in a number of the Company's products. In addition to these patents, the Company relies on non-patented know-how, trade secrets, process and other proprietary information, which the Company protects through a variety of methods, including confidentiality agreements and proprietary information agreements with vendors, employees, consultants and others who have access to the Company's proprietary information. See "Risk Factors -- Patents and Proprietary Know-How."

The Company owns or has the licensing rights to a number of trademarks. In addition to the DonJoy(R) and ProCare(R) brand names, the Company's most significant trademarks are Defiance(R), GoldPoint(R), Monarch(R), RocketSoc(R), IceMan(R), Air DonJoy(R), Quadrant(R), Legend(TM), TROM(TM), Playmaker(TM), PainBuster(TM) and OPAL(TM).

In August 1998, Smith & Nephew entered into a five-year exclusive arrangement with IZEX Technologies to license know-how and technology for the design, manufacture and distribution of the VISTA System, a computerized post-operative brace designed to optimize a patient's rehabilitation in the treatment of knee injuries, which the Company believes is the only such system currently under development. In connection with the recapitalization, Smith & Nephew assigned this license to the Company.

The Company believes that its patents, trademarks and other proprietary rights are important to the development and conduct of its business and the

marketing of its products. As a result, the Company aggressively protects its intellectual property rights.

EMPLOYEES

As of June 29, 1999, the Company had 816 employees. The Company's workforce is not unionized. The Company has not experienced any strikes or work stoppages, and management generally considers its relationships with its employees to be satisfactory.

GOVERNMENT REGULATION

MEDICAL DEVICE REGULATION

UNITED STATES. The Company's products and operations are subject to extensive and rigorous regulation by the FDA. The FDA regulates the research, testing, manufacturing, safety, labeling, storage, recordkeeping, promotion, distribution, and production of medical devices in the United States to ensure that medical products distributed domestically are safe and effective for their intended uses. In addition, the FDA regulates the export of medical devices manufactured in the United States to international markets.

Under the Federal Food, Drug, and Cosmetic Act (the "FFDCA"), medical devices are classified into one of three classes -- Class I, Class II or Class III -- depending on the degree of risk associated with each medical device and the extent of control needed to ensure safety and effectiveness. The Company's current products are all Class I or Class II medical devices. All of the Company's currently marketed products hold the relevant exemption or premarket clearance required under the FFDCA.

Class I devices are those for which safety and effectiveness can be assured by adherence to a set of guidelines, which include compliance with the applicable portions of the FDA's Quality System Regulation ("QSR"), facility registration and product listing, reporting of adverse medical events, and appropriate, truthful and non-misleading labeling, advertising, and promotional materials (the "General Controls"). Some Class I devices also require premarket clearance by the FDA through the 510(k) premarket notification process described below.

Class II devices are those which are subject to the General Controls and most require premarket demonstration of adherence to certain performance standards or other special controls, as specified by the FDA, and clearance by the FDA. Premarket review and clearance by the FDA for these devices is accomplished through the 510(k) premarket notification procedure. For most Class II devices, the manufacturer must submit to the FDA a premarket notification submission, demonstrating that the device is "substantially equivalent" to either

(1) a device that was legally marketed prior to May 28, 1976, the date upon which the Medical Device Amendments of 1976 were enacted, or

(2) to another commercially available, similar device which was subsequently cleared through the 510(k) process.

If the FDA agrees that the device is substantially equivalent, it will grant clearance to commercially market the device. By regulation, the FDA is required to clear a 510(k) within 90 days of submission of the application. As a practical matter, clearance often takes longer; however, the Company's products have generally been cleared within the 90-day time period. The FDA may require further information, including clinical data, to make a determination regarding substantial equivalence. If the FDA determines that the device, or its intended use, is not "substantially equivalent", the FDA will place the device, or the particular use of the device, into Class III, and the device sponsor must then fulfill much more rigorous premarketing requirements.

A Class III product is a product which has a new intended use or uses advanced technology that is not substantially equivalent to a use or technology with respect to a legally marketed device. The safety and effectiveness of Class III devices cannot be assured solely by the General Controls and the other requirements described above. These devices almost always require formal clinical studies to demonstrate safety and effectiveness.

Approval of a premarket approval application ("PMA") from the FDA is required before marketing of a Class III product can proceed. The PMA process is much more demanding than the 510(k) premarket notification process. A PMA application, which is intended to demonstrate that the device is safe and effective, must be supported by extensive data, including data from preclinical studies and human clinical trials and existing research material, and must contain a full description of the device and its components, a full description of the methods, facilities, and controls used for manufacturing, and proposed labeling. Following receipt of a PMA application, once the FDA determines that the application is sufficiently complete to permit a substantive review, the FDA will accept the application for review. The FDA, by statute and by regulation, has 180 days to review a filed PMA application, although the review of an application more often occurs over a significantly longer period of time, up to several years. In approving a PMA application or clearing a 510(k) application, the FDA may also require some form of post-market surveillance, whereby the manufacturer follows certain patient groups for a number of years and makes periodic reports to the FDA on the clinical status of those patients when necessary to protect the public health or to provide additional safety and effectiveness data for the device.

When FDA approval of a Class I, Class II or Class III device requires human clinical trials, if the device presents a "significant risk" (as defined by the FDA) to human health, the device sponsor is required to file an investigational device exemption ("IDE") application with the FDA and obtain IDE approval prior to commencing the human clinical trial. If the device is considered a "non-significant" risk, IDE submission is not required. Instead, only approval from the Institutional Review Board conducting the clinical trial is required. Human clinical studies are generally required in connection with approval of Class III devices and to a much lesser extent for Class I and II devices. None of the Company's current products have required human clinical trials for approval.

In addition, the Company's manufacturing processes are required to comply with the applicable portions of the QSR, which covers the methods and documentation of the design, testing, production, processes, controls, quality assurance, labeling, packaging, and shipping of the Company's products. The QSR

also, among other things, requires maintenance of a device master record, device history record, and complaint files. The Company's domestic facility, records, and manufacturing processes are subject to periodic unscheduled inspections by the FDA. The Company's Mexican facilities, which export products to the United States, may also be inspected by the FDA. The Company's U.S. facility was recently inspected by the FDA and was found to be in compliance with the applicable QSR regulations. Based on the Company's own internal audits of its Mexican facilities, the Company believes that its Mexican facilities are in substantial compliance with the applicable QSR regulations.

Failure to comply with the applicable U.S. medical device regulatory requirements could result in, among other things, warning letters, fines, injunctions, civil penalties, repairs, replacements, refunds, recalls or seizures of products, total or partial suspension of production, the FDA's refusal to grant future premarket clearances or approvals, withdrawals or suspensions of current product applications, and criminal prosecution. There are currently no adverse regulatory compliance issues or actions pending with the FDA at any of the Company's facilities or relating to the Company's products and

none of the recent FDA audits of its Vista, California facility has resulted in any enforcement actions by the FDA.

There are no restrictions under U.S. law on the export from the United States of any medical device that can be legally distributed in the United States. In addition, there are only limited restrictions under U.S. law on the export from the United States of medical devices that cannot be legally distributed in the United States. If a Class I or Class II device does not have 510(k) clearance, but is eligible for approval under the 510(k) process, then the device can be exported to a foreign country for commercial marketing without the submission of any type of export request or prior FDA approval, if it satisfies certain limited criteria relating primarily to specifications of the foreign purchaser and compliance with the laws of the country to which it is being exported. Class III devices which do not have PMA approval may be exported to any foreign country, if the product complies with the laws of that country and, with respect to the following countries, has valid marketing authorization under the laws of such country: Australia, Canada, Israel, Japan, New Zealand, Switzerland, South Africa, the European Union, a country in the European Economic Area or such other countries as may be approved by the FDA. The unapproved device must also satisfy the criteria required to be satisfied by Class I and Class II devices as well as additional criteria applicable to the devices. All of the Company's products which are exported to foreign countries currently comply with the restrictions described in this paragraph.

Certificates for export (certifying the status of a product under the FFDCA) are not required by the FDA for export. However, they are often required by the foreign country importing the product.

INTERNATIONAL. In many of the foreign countries in which the Company markets its products, it is subject to regulations affecting, among other things, product standards, packaging requirements, labeling requirements, import restrictions, tariff regulations, duties and tax requirements. Many of the regulations applicable to the Company's devices and products in such countries are similar to those of the FDA, including those in Germany, the Company's largest foreign market. In many countries, the national health or social security organizations require the Company's products to be qualified before they can be marketed with the benefit

of reimbursement eligibility. To date, the Company has not experienced difficulty in complying with these regulations. Due to the movement towards harmonization of standards in the European Union, the Company expects a changing regulatory environment in Europe characterized by a shift from a country-by-country regulatory system to a European Union wide single regulatory system. The timing of this harmonization and its effect on the Company cannot currently be predicted.

The Company is implementing policies and procedures intended to position itself for the expected international harmonization of regulatory requirements. The ISO 9000 series of standards have been developed as an internationally recognized set of guidelines that are aimed at ensuring the design and manufacture of quality products. ISO 9001 is the highest level of ISO certification, covering both the quality system for manufacturing as well as that for product design control; ISO 9002 covers the quality system for manufacturing operations that do not include product design. The Company's Vista facility has received ISO 9001 certification. See "-- Manufacturing." A company that passes an ISO audit and obtains ISO registration becomes internationally recognized as functioning under a competent quality system. In certain foreign markets, it may be necessary or advantageous to obtain ISO 9000 series certification, which, in certain respects, is analogous to compliance with the FDA's QSR requirements. The European Economic Community has promulgated rules which require that medical products receive a CE mark. All of the Company's products currently distributed in Europe have received the CE mark. A CE mark is an international symbol indicating that the device meets common European standards of performance and safety.

FRAUD AND ABUSE

The Company is subject to various federal and state laws pertaining to health care fraud and abuse, including antikickback laws and physician self-referral laws. Violations of these laws are punishable by criminal and/or civil sanctions, including, in some instances, imprisonment and exclusion from participation in federal and state health care programs, including Medicare, Medicaid, VA health programs and CHAMPUS. The Company has never been challenged by a governmental authority under any of these laws and believes that its operations are in material compliance with such laws. However, because of the far-reaching nature of these laws, there can be no assurance that the Company would not be required to alter one or more of its practices to be in compliance with these laws. In addition, there can be no assurance that the occurrence of one or more violations of these laws would not result in a material adverse effect on the Company's financial condition and results of operations.

ANTIKICKBACK LAWS. The Company's operations are subject to federal and state antikickback laws. Certain provisions of the Social Security Act, commonly known as the "Medicare Fraud and Abuse Statute," prohibit entities, such as the Company, from offering, paying, soliciting or receiving any form of remuneration in return for the referral of Medicare or state health program patients or patient care opportunities, or in return for the recommendation, arrangement, purchase, lease or order of items or services that are covered by Medicare or state health programs. Violation of the Medicare Fraud and Abuse Statute is a felony, punishable by fines up to $25,000 per violation and imprisonment for up to five

years. In addition, the Department of Health and Human Services may impose civil penalties and exclude violators from participation in Medicare or state health programs. Many states have adopted similar prohibitions against payments intended to induce referrals to Medicaid and other third party payor patients.

PHYSICIAN SELF-REFERRAL LAWS. The Company is also subject to federal and state physician self-referral laws. Federal physician self-referral legislation (known as the "Stark" law) prohibits, subject to certain exceptions, a physician or a member of his immediate family from referring Medicare or Medicaid patients to an entity providing "designated health services" in which the physician has an ownership or investment interest, or with which the physician has entered into a compensation arrangement. The Stark law also prohibits the entity receiving the referral from billing any good or service furnished pursuant to an unlawful referral. The penalties for violations include a prohibition on payment by these government programs and civil penalties of as much as $15,000 for each violative referral and $100,000 for participation in a "circumvention scheme." Various state laws also contain similar provisions and penalties.

The Company provides compensation to physicians pursuant to certain consulting and licensing agreements and through its OfficeCare program. The consulting agreements generally provide for the payment of a flat fee in return for a fixed number of hours or days of consulting services and the licensing agreements generally provide for the payment of a fixed percentage of sales of products developed by the physician. In the OfficeCare program, the Company pays participating physicians a rental fee for office space used for inventory storage and, in some cases, a pro rata portion of the salary of a member of the physician's staff who assists in fitting products and/or handling paperwork. While the payment of compensation to physicians who refer patients to the Company can implicate the Medicare Fraud and Abuse Statute and the Stark law, the Company believes that its relationships with physicians described above fall within recognized safe harbors and exceptions in both statutes. In addition to structuring relationships with referring physicians in order to comply with the relevant statutes, the Company also monitors these relationships on an ongoing basis in an attempt to ensure continued compliance.

ENVIRONMENTAL AND OTHER MATTERS

The Company's facilities and operations are subject to federal, state and local environmental and occupational health and safety requirements of the U.S. and foreign countries, including those relating to discharges of substances to the air, water and land, the handling, storage and disposal of wastes and the cleanup of properties affected by pollutants. The Company believes it is currently in compliance with such requirements and does not currently anticipate any material adverse effect on its business or financial condition as a result of its efforts to comply with such requirements.

In the future, federal, state, local or foreign governments could enact new or more stringent laws or issue new or more stringent regulations concerning environmental and worker health and safety matters that could effect the Company's operations. Also, in the future, contamination may be found to exist at the Company's current or former facilities or off-site locations where the Company

has sent wastes. The Company could be held liable for such newly-discovered contamination which could have a material adverse effect on the Company's business or financial condition. In addition, changes in environmental and worker health and safety requirements or liabilities from newly-discovered contamination could have a material effect on the Company's business or financial condition.

LEGAL PROCEEDINGS

The Company is involved from time to time in litigation arising in the ordinary course of business, including product liability claims, none of which is currently expected to have a material adverse effect on the Company. The Company maintains product liability insurance in amounts which it believes to be

reasonable and standard in the industry.

MANAGEMENT

BOARD OF MANAGERS AND EXECUTIVE OFFICERS

The following table sets forth certain information with respect to persons who are members of the Board of Managers (each a "Manager") of DonJoy and executive officers of DonJoy or the Company. Two additional Managers will be designated by mutual agreement of the other Managers.

<TABLE>
<CAPTION>

NAME	AGE	POSITION
<S>	<C>	<C>
Leslie H. Cross.....	48	President, Chief Executive Officer and Manager
Charles Bastyr.....	48	Senior Vice President -- Research & Business Development
Cyril Talbot III.....	44	Vice President -- Finance, Chief Financial Officer and Secretary
Michael R. McBrayer.....	40	Vice President -- Domestic Sales
Peter Bray.....	51	Vice President -- International Business
Kent Bachman.....	36	Vice President -- Operations
Charles T. Orsatti.....	55	Manager
Mitchell J. Blutt, M.D.	42	Manager
Shahan D. Soghikian.....	40	Manager
Damion E. Wicker, M.D.	38	Manager
John J. Daileader.....	34	Manager
Ivan R. Sabel, CPO.....	54	Manager

</TABLE>

Leslie H. Cross has served as President of the Company since July 1995 and became the Chief Executive Officer and a Manager of DonJoy upon consummation of the recapitalization. From 1990 to 1994, Mr. Cross held the position of Senior Vice President of Marketing and Business Development. He was a Managing Director of two different divisions of Smith & Nephew from 1982 to 1990. Prior to that time, he worked at American Hospital Supply Corporation. Mr. Cross earned a diploma in Medical Technology from Sydney Technical College in Sydney, Australia and studied Business at the University of Cape Town in Cape Town, South Africa.

Charles Bastyr has served as Senior Vice President -- Research & Business Development since 1996 and has been with the Company since 1987. He was Vice President of Engineering from 1994 to 1996 and Director of Engineering prior to that time. Mr. Bastyr received his B.S. (Mechanical Engineering) from San Diego State University and is a Registered Professional Mechanical Engineer with the State of California.

Cyril Talbot III has served as Vice President -- Finance since 1994 and became the Chief Financial Officer of DonJoy upon consummation of the recapitalization. He joined the Company in 1991 as Director of Finance. From 1981 to 1991, he held several management positions at American Hospital Supply Corporation and McGaw, Inc. Prior to that time, he was an Audit Manager at Miller, Cooper & Co. Ltd. Mr. Talbot earned his B.S. (Accounting/Finance) at Miami University in Oxford, Ohio and is a Certified Public Accountant.

Michael R. McBrayer has served as Vice President -- Domestic Sales since 1993. He held several managerial positions after joining the Company in 1987 as a national sales manager for the retail product line. Mr. McBrayer received his B.S. (Marketing and Management) at Northern Arizona University in Flagstaff, Arizona.

Peter Bray has served as Vice President -- International Business since 1998. From 1996 to 1998, he was the Vice President -- Anatomical Supports. Prior to joining the Company, he held several management positions with Baxter HealthCare Corporation. Mr. Bray earned a Bachelors of Commerce (Accounting and Marketing) in South Africa and is an active Fellow of the Royal Institute of Chartered Management Accountants in the United Kingdom.

Kent Bachman has served as Vice President -- Operations since 1998. He held several managerial positions after joining the Company in 1987 as a manufacturing assembler. Prior to joining the Company, Mr. Bachman was a professional baseball player for the Montreal Expos and the Milwaukee Brewers from 1984 to 1987. Mr. Bachman earned a B.S. (Industrial Technology) at California Polytechnic State University at San Luis Obispo.

Charles T. Orsatti became a Manager of DonJoy upon consummation of the recapitalization. He has been a partner of Fairfield Chase since 1998. From 1995 to 1998, Mr. Orsatti was a senior consultant to CCP. Prior to that, he was the Chairman and Chief Executive Officer of Fairfield Medical Products Corporation, a worldwide manufacturer of critical care products sold to hospitals and alternative care facilities. Mr. Orsatti earned a B.S. (Management and Marketing) from Pennsylvania State University. He serves as a director of Vitagen, Inc.

Mitchell J. Blutt, M.D. became a Manager of DonJoy upon consummation of the recapitalization. He has been an Executive Partner of CCP since 1992 and was a General Partner of CCP from 1988 to 1992. Dr. Blutt has a B.A. and a M.D. from the University of Pennsylvania and an M.B.A. from The Wharton School of the University of Pennsylvania. He serves as a director of FHC, Fisher Scientific International, Inc., Hanger Orthopedic Group, Inc., LPA Investments, LLC, Medical Arts Press, Inc., Senior Psychology Services Management, Inc., UtiliMED, Inc., Vista Healthcare Asia Pte. Ltd. and IBC Asia Health Care Ltd.

Shahan D. Soghikian became a Manager of DonJoy upon consummation of the recapitalization. He has been a General Partner of CCP since 1992. Prior to joining CCP, Mr. Soghikian was a member of the mergers and acquisitions groups of Bankers Trust and Prudential Securities, Inc. Mr. Soghikian has a B.A. from Pitzer College and an M.B.A. from the Anderson Graduate School of Management at UCLA. He serves as a director of American Floral Services, Inc., Nextec Ltd. and Link Investment Management.

Damion E. Wicker, M.D. became a Manager of DonJoy upon consummation of the recapitalization. He has been a General Partner of CCP since 1997. Prior to joining CCP, Dr. Wicker was President of Adams Scientific and held positions with MBW Venture Partners and Alexon, Inc. Dr. Wicker received a B.S. with honors from The Massachusetts Institute of Technology, an M.D. from Johns Hopkins and an M.B.A. from the Wharton School of the University of Pennsylvania. He serves as a director of Genomic Solutions, Inc., Landec Corporation, Optiscan Biomedical Corp., Praecis Pharmaceuticals, Inc., Transurgical, Inc., Vitagen, Inc. and V.I. Technologies, Inc.

John J. Daileader became a Manager of DonJoy upon consummation of the recapitalization. He has been a Principal of CCP since 1997. Prior to joining CCP, Mr. Daileader worked in the Merchant Banking Group at The Chase Manhattan Bank and held strategic planning positions at Chemical Bank, Manufacturers Hanover Trust Company and National Westminster Bank USA. Mr. Daileader has a B.S. from Rensselaer Polytechnic Institute and an M.B.A. from New York University. He serves as a director of Vinings Industries, Inc., Mackie Automotive Systems, M2 Automotive, Inc. and Homarus.

Ivan R. Sabel, CPO, became a Manager of DonJoy in August 1999. Mr. Sabel has been the Chairman of the Board of Directors and Chief Executive Officer of Hanger Orthopedic Group since August 1995 and was President of Hanger Orthopedic Group from November 1987 to July 1, 1999. Mr. Sabel also served as the Chief Operating Officer of Hanger Orthopedic Group from November 1987 until August 1995. Prior to that time, Mr. Sabel had been Vice President -- Corporate Development from September 1986 to November 1987. Mr. Sabel was the founder, owner and President of Capital Orthopedics, Inc. from 1968 until that company was acquired by Hanger Orthopedic Group in 1986. Hanger Orthopedic Group is a portfolio investment of CCP. Mr. Sabel is a Certified Prosthetist and Orthotist ("CPO"), a member of the Board of Directors of the American Orthotic and Prosthetic Association ("AOPA"), a former Chairman of the National Commission for Health Certifying Agencies, a former member of the Strategic Planning Committee and a current member of the Veterans Administration Affairs Committee of AOPA and a former President of the American Board for Certification in Orthotics and Prosthetics. Mr. Sabel serves on the Board of Nurse Finders Inc. and is a member of their compensation and audit committee. Mr. Sabel is also a current member of the Board of Directors of Mid-Atlantic Medical Services, Inc., a company engaged in the health care management services business.

COMMITTEES OF THE BOARD OF MANAGERS

The Board of Managers has an Executive Committee, currently consisting of Messrs. Blutt, Cross and Orsatti. The Board of Managers has a Compensation Committee/Stock Option Committee (the "Compensation Committee") that determines compensation for executive officers of DonJoy and the Company and administers DonJoy's Option Plan. Currently, Messrs. Orsatti, Daileader and Sabel serve on the Compensation Committee. The Board has an Audit Committee (the "Audit Committee") that reviews the scope and results of audits and internal accounting controls and all other tasks performed by the independent public accountants of DonJoy. Currently, Messrs. Wicker, Soghikian and Daileader serve on the Audit Committee.

COMPENSATION OF BOARD OF MANAGERS

The members of the Board of Managers do not receive compensation for their service on the Board of Managers but are reimbursed for their out-of-pocket expenses. Managers who are neither officers of DonJoy or the Company nor affiliated with CDP may receive customary compensation for services on the Board of Managers. The Company, DonJoy and Charles T. Orsatti intend to enter into an agreement pursuant to which the Company will agree to pay Mr. Orsatti up to $250,000 per year if the Company achieves certain performance objectives to be established by negotiation among such parties, CDP and CCP.

EXECUTIVE COMPENSATION

The following table sets forth information concerning the compensation of the Chief Executive Officer and each of the other four most highly compensated executive officers of the Company for the year ended December 31, 1998.

<TABLE>
<CAPTION>

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION SALARY	BONUS	ALL OTHER COMPENSATION(1)
<S>	<C>	<C>	<C>
Leslie H. Cross..... President and Chief Executive Officer	$226,825	$183,258	$ 2,669
Charles Bastyr..... Senior Vice President -- Research & Business Development	193,500	69,946	3,350
Cyril Talbot III..... Vice President -- Finance and Chief Financial Officer	146,100	48,397	1,888
Michael R. McBrayer..... Vice President -- Domestic Sales	148,300	47,923	2,363
Peter Bray..... Vice President -- International Business	156,750	50,649	3,350

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(1) Includes contributions to the Company's 401(K) Plan.

1999 OPTION PLAN

DonJoy has adopted the 1999 Option Plan (the "Plan") pursuant to which options with respect to 15% of the voting Units of DonJoy on a fully diluted basis are available for grant to certain members of management (each an "Optionee"). The Plan is administered by the Compensation Committee appointed from time to time by the Board of Managers. The Plan expires on June 30, 2014 unless earlier terminated by the Board of Managers of DonJoy. Options granted under the Plan will be nonqualified options.

Options will be granted in amounts to be agreed upon by the Compensation Committee. Options will vest either

- ratably at specified annual intervals from the date of grant (the "Time-Vesting Options") (provided that the maximum number of such Time-Vesting Options granted shall not exceed 6% of the number of Common Units of DonJoy outstanding on a fully diluted basis on the closing date of the Recapitalization) or

- upon the occurrence of a Liquidity Event or Material Transaction (each as defined below) and then only to the extent the Common Units of DonJoy owned by CDP have provided CDP with specified internal rates of return (as set forth in the Plan) since the closing date of the recapitalization (the "Event-Vesting Options") (provided that the maximum number of such Event-Vesting Options vesting based on achievement of specified internal rates of return shall not exceed 9% of the number of Common Units outstanding on a fully diluted basis on the closing date of the recapitaliza-

tion), provided that if no Liquidity Event has occurred by December 31, 2007, such options shall become vested and exercisable.

A Liquidity Event means a sale or other disposition of all or substantially all of the assets of DonJoy or all or substantially all of the outstanding equity interests in DonJoy or a registered public offering of the common equity interests in DonJoy resulting in a market capitalization of more than $150 million for a period of at least 20 consecutive trading days. A Material

Transaction means a dissolution or liquidation of DonJoy, a reorganization, merger or consolidation in which DonJoy is not the surviving corporation, or sale of all or substantially all of the assets of DonJoy. The exercise price for the options will be the fair market value of the Common Units of DonJoy on the date each such option is granted. The options will expire upon the earliest of (i) the fifteenth anniversary of the date of grant, (ii) 12 months after the date an Optionee's employment is terminated due to the Optionee's death or permanent disability, (iii) immediately upon an Optionee's termination of employment by the Company "for cause" (as defined in the Plan), (iv) 90 days after the date an Optionee ceases to be an employee (other than as listed in (ii) and (iii) above), (v) the effective date of a Material Transaction if provision is made in connection with such transaction for the assumption of outstanding options by, or the substitution for such option of new options covering equity securities of, the surviving, successor or purchasing corporation, or (vi) the expiration of such other period of time or the occurrence of such other event as the Compensation Committee, in its discretion, may provide in any option agreement. Common Units in DonJoy purchased by an Optionee upon exercise of an option may be repurchased by DonJoy (or its designee) upon terms and at a price determined in accordance with the provisions of the applicable option agreement.

As of July 31, 1999, DonJoy has granted options to purchase up to 115,412 Units under the Plan, of which 40% are Time-Vesting Options and 60% are Event-Vesting Options, to members of management. The Time-Vesting Options vest over a four year period beginning on June 30, 2000.

401(K) AND INCENTIVE PLANS

DonJoy has established its own 401(k) Plan, which is substantially the same as the plan previously provided by Smith & Nephew. The assets funding the Smith & Nephew plan were transferred to the DonJoy 401(k) Plan.

EMPLOYMENT AGREEMENTS

In connection with the recapitalization, the Company entered into employment agreements with Leslie H. Cross, Cyril Talbot III and Michael R. McBrayer. The employment agreements terminate on June 30, 2002. Pursuant to their respective employment agreement, Mr. Cross serves as President of the Company at an annual base salary of $235,900, Mr. Talbot serves as Vice President of Finance of the Company at an annual base salary of $151,945 and Mr. McBrayer serves as Vice President of Domestic Sales of the Company at an annual base salary of $155,715. These base salaries are subject to annual review and adjustment by the Board of Managers of the Company. In addition, each executive is entitled to such annual bonuses as may be determined by the Board of Mangers, four weeks paid vacation per year, a car allowance and, for 1999 only, club membership dues and

tax preparation fees. Each executive may be terminated at any time during the term of the applicable employment agreement with or without "cause" (as defined in the applicable employment agreement). In the event of an executive's termination without cause, the executive will be entitled to receive his base salary from the date of termination until the first anniversary of the date of termination. Pursuant to the applicable employment agreement, each executive has agreed that until the fourth anniversary of the date of termination or expiration of his employment with the Company, he will not

(1) induce or attempt to induce any employee of the Company or any affiliate of the Company to leave the employ of the Company or any such affiliate, or in any way interfere with the relationship between the Company or any such affiliate and any employee thereof,

(2) hire any person who was an employee of the Company until six months after such person's employment with the Company or any affiliate thereof was terminated, or

(3) induce or attempt to induce any customer, supplier, licensee or other business relation of the Company or any affiliate to cease doing business with the Company or such affiliate, or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company or any such affiliate.

Each employment agreement also contains customary non-disclosure provisions. In addition, each executive has agreed that any inventions or other developments relating to the Company or its products or services conceived, developed or made by the executive while employed by the Company belong to the Company.

RETENTION AGREEMENTS

In December 1998, Smith & Nephew entered into retention agreements with certain members of management of the Company (each, a "Management Employee"), including the persons listed in the summary compensation table, to induce each

Management Employee to remain an employee of the Company in the event of a Change of Control or Division Divestiture (as defined in the retention agreement). The recapitalization constituted a Change of Control or Division Divestiture. Each such Management Employee who remained in his position through the consummation of the Change of Control or Division Divestiture received a special retention bonus. Pursuant to the recapitalization agreement, such special bonus was paid by Smith & Nephew. In addition, pursuant to the retention agreements with certain Management Employees, if within one year of a Change of Control or Division Divestiture, a Management Employee's employment with DonJoy is terminated for other than Cause (as defined in the retention agreement), then the Management Employee will be entitled to one year's base salary plus one year's taxable bonus (calculated as maximum normal bonus, excluding the retention bonus) and such amounts are payable by DonJoy.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

All of the Company's membership units are owned by DonJoy and all of DJ Capital's equity securities are owned by the Company. The following table sets forth information with respect to the ownership of the Common Units of DonJoy as of July 31, 1999 by

- each person known to own beneficially more than 5% of the Units,
- each Manager of DonJoy,
- each executive officer of the Company and DonJoy, and
- all executive officers and Managers of the Company and DonJoy as a group.

The Redeemable Preferred Units which vote together with the Common Units as a single class (see "-- Description of Operating Agreement") are owned approximately 51% by CB Capital, an affiliate of CDP, approximately 33% by TCW and approximately 16% by First Union Investors.

The amounts and percentages of Units beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a "beneficial owner" of a security if that person has or shares voting power or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Securities that can be so acquired are deemed to be outstanding for purposes of computing such person's ownership percentage, but not for purposes of computing any other person's percentage. Under these rules, more than one person may be deemed beneficial owner of the same securities and a

person may be deemed to be a beneficial owner of securities as to which such person has no economic interest.

<TABLE>
<CAPTION>

NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF UNITS	PERCENT OF CLASS
<S>	<C>	<C>
Chase DJ Partners, LLC(1)	645,500	85.1%
CB Capital Investors L.P.(1)	665,927(2)	87.8%
Smith & Nephew, Inc.(3)	54,000	7.1%
Charles T. Orsatti(4)	645,500	85.1%
Leslie H. Cross(5)	12,500	1.6%
Cyril Talbot III(5)	3,000	0.4%
Michael R. McBrayer(5)	3,000	0.4%
Charles Bastyr(5)	0	0%
Peter Bray(5)	0	0%
Mitchell J. Blutt, M.D.(6)	(7)	(7)
Shahan D. Soghikian(6)	(7)	(7)
Damion E. Wicker, M.D.(6)	(7)	(7)
John J. Daileader(6)	(7)	(7)
All directors and executive officers as a group (11 persons)	684,427	90.3%

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(1) The address of CDP and CB Capital is c/o Chase Capital Partners, 380 Madison Avenue, New York, New York 10017. CDP was formed by CB Capital, an affiliate of CCP, First Union Investors and Fairfield Chase. CB Capital owns

approximately 87.0%, First Union Investors owns approximately 9.6%, TCW owns approximately 3.0% and Fairfield Chase owns approximately 0.4% of the membership interests in CDP. TCW and First Union Investors also own 13,395 and 6,362 Redeemable Preferred Units, respectively. Fairfield Chase is the managing member of CDP except that under the circumstances described below, CB Capital will become the managing member of CDP. CB Capital is a licensed small business investment company (an "SBIC") and as such is subject to certain restrictions imposed upon SBICs by the regulations established and enforced by the United States Small Business Administration. Among these restrictions are certain limitations on the extent to which an SBIC may exercise control over companies in which it invests. As a result of these restrictions, CB Capital will only become the managing member of CDP if certain events described in the constituent documents of CDP occur. See "Description of Members' Agreement and By-Laws."

(2) Includes (i) 20,427 Redeemable Preferred Units owned by CB Capital and (ii) the Common Units owned by CDP of which CB Capital may be deemed the beneficial owner given its status as a member of CDP owning approximately 87% of CDP's membership interests.

(3) The address of Smith & Nephew, Inc. is 1450 Brooks Road, Memphis, Tennessee 38116.

(4) Includes the Common Units owned by CDP given Mr. Orsatti's status as the person controlling Fairfield Chase, which is the managing member of CDP. As the managing member of CDP, Fairfield Chase may also be deemed to be the beneficial owner of these Units. The address of Mr. Orsatti is c/o Fairfield Chase Medical Partners, LLC, 600 Cleveland Street, Suite 1100, Clearwater, Florida 83755.

(5) The address of Messrs. Cross, Talbot, McBrayer, Bastyr and Bray is c/o DonJoy, LLC, 2985 Scott Street, Vista, California 92083.

(6) The address of Messrs. Blutt, Soghikian, Wicker and Daileader is c/o Chase Capital Partners, 380 Madison Avenue, New York, New York 10017.

(7) Such person may be deemed the beneficial owner of Units owned by CDP and CB Capital due to his status as a Partner (in the cases of Messrs. Blutt, Soghikian and Wicker) and a Principal (in the case of Mr. Daileader) of Chase Capital Partners.

DESCRIPTION OF OPERATING AGREEMENT

The Company and DonJoy are each limited liability companies organized under the Delaware Limited Liability Company Act. DonJoy is the sole member and managing member of the Company and controls the Company's policies and operations. DonJoy's operations are governed by a Second Amended and Restated Operating Agreement among DonJoy, CDP, CB Capital, First Union Investors, Smith & Nephew, the Management Members and TCW (each a "member" and collectively the "members"). The operating agreement, together with the members' agreement described below, governs the relative rights and duties of the members.

UNITS. DonJoy is authorized to issue up to 3,000,000 Common Units and up to 100,000 Redeemable Preferred Units. As of July 31, 1999, 718,000 Common Units and 40,184 Redeemable Preferred Units were issued and outstanding, and 15% of the Common Units on a fully diluted basis have been duly reserved for issuance to employees, directors and independent consultants and contractors of DonJoy or any subsidiary thereof pursuant to the 1999 Option Plan.

The Redeemable Preferred Units accrue a cumulative preferred return at a fixed rate of 14.0% per annum, subject to increase to 16.0% per annum upon the occurrence of certain events of non-compliance, including

- the failure to pay or distribute when required any amounts with respect to the Redeemable Preferred Units,

- breaches of representations and warranties, covenants (which are substantially similar to the covenants contained in the indenture) and other agreements contained in the documentation relating to the Redeemable Preferred Units,

- an event of default under the new credit facility, the indenture or other indebtedness having an outstanding principal amount of $15 million or more and

- certain events of bankruptcy, insolvency or reorganization with respect to DonJoy or any of its subsidiaries (an "event of non-compliance").

Distributions with respect to the preferred return (other than tax distributions as described below) are at the option of DonJoy, but to the extent the preferred return is not paid, the accrued amount of the preferred return will compound quarterly. Since the ability of the Company to make distributions to DonJoy (other than distributions to enable DonJoy to make tax distributions as described below) will be limited by the terms of the new credit facility and the indenture, DonJoy expects that the preferred return will accrue and compound. See "Description of New Credit Facility" and "Description of the Notes -- Certain Covenants -- Limitation on Restricted Payments". In addition to the rights with respect to the preferred return (including related tax distributions and distributions to the holders of Redeemable Preferred Units of their original capital investment in the Redeemable Preferred Units) the Redeemable Preferred Units will share ratably with the Common Units in any distributions (including related tax distributions and upon liquidation) made by DonJoy in respect of the Common Units (the "Redeemable Preferred Units Participating Interest").

The Redeemable Preferred Units (other than the Redeemable Preferred Units Participating Interest) are subject to mandatory redemption 10 and one-half years following the closing of the recapitalization and may be redeemed at DonJoy's option at any time. Upon a change of control (which is defined in the operating agreement to be the same as a change of control under the indenture), holders of Redeemable Preferred Units will have the right, subject to certain conditions, to require DonJoy to redeem their Redeemable Preferred Units (including the Redeemable Preferred Units Participating Interest). In addition, at any time following the sixth anniversary of the closing of the recapitalization, holders whose Redeemable Preferred Units have been redeemed as described above, will have the right, subject to certain conditions, to require DonJoy to redeem their Redeemable Preferred Units Participating Interest. Unless equity proceeds or other funds are available to DonJoy for the purpose, the ability of DonJoy to make any of the foregoing payments will be subject to receipt of distributions from the Company in amounts sufficient to make such payments and such distributions will be subject to the restrictions contained in the new credit facility and the indenture. See "Description of New Credit Facility" and "Description of the Notes -- Certain Covenants -- Limitations on Restricted Payments."

VOTING. Except as otherwise required by applicable law or as set forth in the operating agreement or the members' agreement, holders of Common Units and Redeemable Preferred Units shall vote together as a single class on all matters to be voted on by the members, with each Unit being entitled to one vote.

MANAGEMENT. The Board of Managers consists of at least nine members as designated pursuant to the members' agreement. Upon the occurrence of an event of non-compliance, the Board of Managers will be increased to 11 members and the holders of the Redeemable Preferred Units will have the right to elect as a separate class two members to the Board of Managers of DonJoy.

Under the members' agreement, any Manager may be removed with or without cause, except that a Manager shall not be removed without the consent of the Member or Managers entitled to nominate such Manager. The Member or

Managers entitled to nominate any Manager may remove such Manager and may fill the vacancy created by such removal.

TAX DISTRIBUTIONS. Subject to receipt of distributions from the Company to the extent permitted by restrictions contained in the new credit facility and the indenture, DonJoy will make distributions in agreed upon amounts to its members to enable them to pay income taxes payable in respect of their allocable share of the taxable income of DonJoy and its subsidiaries, including the Company.

RESTRICTIONS ON TRANSFER. Subject to certain exceptions, no member may transfer its Units without having obtained the prior written consent of members holding greater than 50% of the number of Units outstanding at the time (excluding members that are transferring Units), which consent may be withheld in their sole discretion.

DESCRIPTION OF MEMBERS' AGREEMENT AND BY-LAWS

DonJoy, CDP, CB Capital, First Union Investors, Smith & Nephew, the Management Members and TCW are parties to a members' agreement. The members' agreement contains provisions with respect to the transferability and registration of the Units. The members' agreement also contains provisions regarding the designation of the members of the Board of Managers and other voting arrangements. The members' agreement terminates on a sale of the Company, whether by merger, consolidation, sale of Units, a sale of assets or otherwise (a "sale of the company").

The members' agreement

- restricts transfers of Units subject to certain exceptions,

- grants the members (other than CDP and the Management Members) (the "Non-CDP Members") the right to tag along on certain sales of Common Units by CDP to unaffiliated third parties,

- grants the Non-CDP Members certain preemptive rights,

- grants certain rights of first refusal to DonJoy and CDP with respect to transfers of Common Units by Non-CDP Members and the Management Members,

- grants DonJoy or its designee the right to repurchase a Management Member's Units if such Management Member's employment is terminated, and

- requires the members to participate in and cooperate in consummating a sale of the company approved by CDP.

Under the members' agreement, subject to certain limitations, the members have been granted piggyback registration rights with respect to registrable Units held by them and CDP and holders of Redeemable Preferred Units have been granted certain demand registration rights, to which all members may piggyback. The members' agreement contains customary terms and provisions with respect to the registration rights contained therein.

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The members' agreement provides that the Board of Managers of DonJoy is to consist of nine Managers:

- one Management Member (initially Leslie H. Cross) designated by Management Members holding at least a majority of all Units then held by all Management Members, provided that such Management Member shall be a member of the Board for only so long as he is both an employee and a holder of Units,

- five individuals nominated by CDP,

- an additional individual (initially Charles T. Orsatti) nominated by CDP and having special voting power as described below, and

- two individuals with industry expertise designated by mutual agreement of the other Managers. Mr. Sabal was appointed to the Board of Managers in August 1999 pursuant to this provision.

The constituent documents of CDP provide that the five individuals nominated by CDP shall be designated by CB Capital and that the additional individual nominated by CDP and having special voting power shall be designated by the managing member of CDP. The managing member of CDP is initially Fairfield Chase, except that upon the occurrence of certain events (including where CB Capital has determined that it is reasonably necessary for it to assume control of CDP for the protection of its investment or that any other event has occurred which would permit CB Capital to assume control of CDP under applicable law), CB Capital will become the managing member of CDP. The managing member of CDP controls CDP, including the exercise of its rights under the operating agreement and the members' agreement. Upon becoming the managing member of CDP, CB Capital will have the ability, through CDP, to designate Managers having a majority of the voting power of all Managers.

The By-laws of DonJoy also provide that each Manager is entitled to one vote on each matter on which the Managers are entitled to vote, except that one individual appointed by the managing member of CDP (initially Charles T. Orsatti) has six votes on each matter on which the Managers are entitled to vote.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

RECAPITALIZATION AGREEMENT

In addition to providing for the sale of the Common Units of DonJoy to CDP and the Management Members, and the repurchase of a portion of Smith & Nephew's interests in DonJoy, the recapitalization agreement provides for certain other matters in furtherance of the transactions contemplated by the recapitalization, including those set forth below. The description below of certain provisions of the recapitalization agreement is subject to, and is qualified in its entirety by reference to, the definitive recapitalization agreement, a copy of which has been filed as an exhibit to the registration statement of which this prospectus is a part.

COVENANTS NOT TO COMPETE. Smith & Nephew has agreed that until June 30, 2004, neither it nor any of its affiliates will, subject to certain exceptions, engage anywhere in the world in a Non-Compete Business (as defined below) in competition with the business of the Company as it existed on June 30, 1999. "Non-Compete Business" means the developing, manufacturing or marketing of lower-leg walkers, post-operative hinged knee braces, functional hinged knee braces, osteoarthitic hinged knee braces, cold therapy and pain management systems, certain high-tech hinged knee braces, including high-tech hinged knee braces that incorporate technology covered by the Victoria Patents referred to below, and computer-assisted rehabilitation systems using the aforementioned hinged knee braces together with other electronic devices such as sensors and transducers.

In connection with certain products and proprietary information relating to a rounded cannulated interference ("RCI") screw system (the "Proprietary RCI Screw Products"), a tissue fixation product developed by the Company but transferred to and retained by Smith & Nephew prior to the consummation of the recapitalization, CDP has agreed that neither it nor DonJoy or any of its subsidiaries, including the Company, will, subject to certain exceptions, develop or market with the cooperation of certain physicians who developed such Proprietary RCI Screw Products, any product which competes with the Proprietary RCI Screw Products.

SMITH & NEPHEW NAME. Subject to certain limited exceptions, the Company has agreed that following the recapitalization, it shall not, and shall not permit any of its subsidiaries to, use any of Smith & Nephew's trademarks or trade names (including, without limitation, "Smith & Nephew").

VICTORIA PATENTS. Smith & Nephew has agreed to assist the Company in obtaining from Victoria University of Manchester, England an exclusive worldwide license for the development, manufacturing and marketing of products within the Non-Compete Business employing technology covered by certain patents and patent applications owned by Victoria University relating to the use of electrostimulation products for skeletal muscle rehabilitation (the "Victoria Patents"). In the event the Company is not able to obtain such a license, Smith & Nephew has agreed to use commercially reasonable efforts to enter into an exclusive license with Victoria University relating to the Victoria Patents and, subject to approval of Victoria University, to enter into an exclusive worldwide sublicense with the Company for the right to manufacture, use and sell products within the Non-

Compete Business employing the Victoria Patents. No assurance can be given that the Company will enter into any such license or sublicense agreement, or, if any such agreement is entered into, that the Company will be able to develop and/or successfully market products using such technology.

INDEMNIFICATION. Smith & Nephew has agreed to indemnify CDP and its affiliates, including the Company and its subsidiaries, for all losses and expenses incurred by them as a result of

- any breach by Smith & Nephew of its representations and warranties, covenants and agreements in the recapitalization agreement,

- any tax liabilities for which Smith & Nephew is liable pursuant to the recapitalization agreement and

- certain excluded liabilities.

However, the recapitalization agreement provides that with respect to breaches of its representations and warranties, Smith & Nephew shall not be required to make indemnification payments with respect to any such breach unless the aggregate amount of the losses and expenses with respect thereto exceeds $3 million ($750,000 in the case of environmental matters) and that the aggregate amount of such payments shall not exceed $75 million ($7.5 million in the case of environmental matters). Smith & Nephew's indemnification obligations with respect to breaches of its representations, warranties, covenants and agreements in the recapitalization agreement terminate 15 months after the closing date of the recapitalization except as otherwise set forth in the recapitalization agreement.

OTHER AGREEMENTS BETWEEN DONJOY AND SMITH & NEPHEW

In connection with the recapitalization, DonJoy and Smith & Nephew entered into several additional agreements providing for the continuation or transfer and transition of certain aspects of the business operations. Such agreements were assigned to the Company in connection with the consummation of the Recapitalization. The description below of these agreements is subject to, and is qualified in its entirety by reference to, the definitive agreements, copies of which have been filed as exhibits to the registration statement of which this prospectus is a part.

SUPPLY AGREEMENT

Pursuant to a supply agreement between DonJoy and Smith & Nephew entered into in connection with the Recapitalization, the Company has agreed to supply to Smith & Nephew to the extent ordered by Smith & Nephew:

(1) all ProCare line products,

(2) all DonJoy products currently listed in Smith & Nephew's 1999 Rehabilitation Division catalog for the United States and any replacements, substitutions and improvements to such products and

(3) such other products as may be mutually agreed (collectively, the "Supply Agreement Products").

So as not to interfere with the Company's international business plans (see Business -- Business Strategy -- Increase International Sales) Smith & Nephew has agreed not to export any products listed in clause (2) above from the United States after March 31, 2000. Through December 31, 1999, the Company will sell Supply Agreement Products to Smith & Nephew at the same prices at which such products were sold to Smith & Nephew prior to the recapitalization, which prices were consistent with prices at which products were sold to third party international distributors. Commencing January 1, 2000 and for each year thereafter until termination of the supply agreement, the Company will sell the Supply Agreement Products to Smith & Nephew at its best distributor prices (including discounts and rebates offered to distributors) if and to the extent agreed to by Smith & Nephew and pursuant to purchase orders for the Company's products.

Smith & Nephew has no obligation to purchase any specific or minimum quantity of products pursuant to the supply agreement. However, Smith & Nephew has agreed not to purchase from anyone other than the Company Supply Agreement Products which are included within the Non-Compete Business subject to certain limited exceptions including the failure of the Company to supply such products. The supply agreement provides that Smith & Nephew may manufacture or purchase from third party suppliers Supply Agreement Products which are not included within the Non-Compete Business.

Pursuant to the supply agreement, DonJoy and the Company have agreed to indemnify Smith & Nephew and its officers and affiliates with respect to

- any injury, death or property damage arising out of DonJoy's, the Company's or any of their employees or agents negligence or willful misconduct,
- DonJoy's or the Company's negligent acts or omissions,
- DonJoy's or the Company's misstatements or false claims with respect to the Supply Agreement Products,
- any product liability claims relating to the Supply Agreement Products (other than those claims ("Non-Indemnifiable Claims") resulting from Smith & Nephew's or a third party's fault which do not give rise to an indemnifiable claim against DonJoy by Smith & Nephew under the Recapitalization Agreement),
- any governmentally-required recall of the Supply Agreement Products (other than Non-Indemnifiable Claims),
- its failure to comply with its obligations under the Supply Agreement, and
- any claim of infringement by any third party of any patents or any claimed violation of any other intellectual property right of any third party arising in connection with the sale or distribution of Supply Agreement Products.

In order to ensure performance of its indemnity obligations, DonJoy has agreed to maintain at least $3 million of product liability and general public liability insurance with a deductible or self-insurance of no more than $100,000 and shall name Smith & Nephew as an additional insured. In addition, Smith & Nephew has agreed

to indemnify DonJoy, the Company and its officers, managers, equity holders and affiliates with respect to

- any injury, death or property damage arising out of Smith & Nephew's or

its employees or agents negligence or willful misconduct,

- Smith & Nephew's negligent act or omission,

- Smith & Nephew's misstatements or false claims with respect to the Supply Agreement Products,

- Smith & Nephew's misuse of Supply Agreement Product literature, or

- Smith & Nephew's failure to comply with its obligations under the supply agreement.

The supply agreement terminates in June 2004 unless extended by mutual agreement of DonJoy and Smith & Nephew.

DISTRIBUTION AGREEMENT

Pursuant to a distribution agreement entered into in connection with the recapitalization among DonJoy, Smith & Nephew and the affiliates of Smith & Nephew which distributed the Company's products outside the United States as of the closing date of the recapitalization (each an "S&N Group Company"), each S&N Group Company will continue to distribute the Company's products in the specific international market (the "Territories") in which such S&N Group Company distributed such products prior to the recapitalization. Through December 31, 1999, the Company will sell products to the S&N Group Companies at the same prices at which such products were sold to the S&N Group Companies prior to the recapitalization. Thereafter, the Company and S&N will negotiate the sale price of any product in good faith. During the term of the distribution agreement with respect to a Territory, each S&N Group Company has a royalty-free right to use the Company's trademarks in connection with its distribution of the Company's products.

The S&N Group Companies have no obligation to purchase any minimum quantity of products pursuant to the distribution agreement. However, Smith & Nephew has agreed to use its commercially reasonable efforts to have the S&N Group Companies purchase from the Company the same quantity of products reflected in DonJoy's 1999 budgets (the "1999 Purchase Level") and the Company has agreed to sell to the S&N Group Companies pursuant to applicable purchase orders quantities of products at least equal to the 1999 Purchase Level. Smith & Nephew has also agreed to use its commercially reasonable efforts to have each S&N Group Company distribute and resell products in the same geographical markets within the Territories as such S&N Group Company distributed and sold Company products prior to the recapitalization, and Smith & Nephew and each S&N Group Company agrees to employ efforts and methods to sell and promote the sale of the products in its Territory that are substantially the same as the efforts and methods employed prior to the consummation of the recapitalization. The S&N Group Companies may not, subject to certain limited exceptions, sell or supply Company products or other similar products to anyone outside the Territories. During the time any Territory is subject to the distribution

agreement, no S&N Group Company may import, sell or promote the sale of any products which are included within the Non-Compete Business other than products purchased from the Company. Pursuant to the distribution agreement, DonJoy and the Company have agreed to indemnify Smith & Nephew and the S&N Group Companies and their officers and affiliates, and Smith & Nephew have agreed to indemnify DonJoy and its officers, managers, equity holders and affiliates to the same extent that DonJoy and Smith & Nephew indemnify each other under the supply agreement.

Smith & Nephew has the right to terminate the distribution agreement

(1) on 60 days notice, with respect to Austria, Denmark, Finland, France, Germany and Eastern Europe, Holland, Japan, Norway, New Zealand, Portugal, Sweden, Switzerland and the United Kingdom, and

(2) on 60 days notice, which notice may not be given prior to November 1, 1999, with respect to Australia, Belgium, Canada, Dubai, Hong Kong, India, Ireland, Italy, Korea, Malaysia, Mexico, Philippines, Puerto Rico, Singapore, South Africa, Spain, Taiwan and Thailand.

DonJoy has the right to terminate the distribution agreement

(1) on 30 days notice with respect to the Territories listed in clause (1) above,

(2) on 60 days notice, which notice may not be given prior to August 1, 1999, with respect to the Territories listed in clause (2) above other than Australia and Canada, and

(3) on 60 days notice, which notice may not be given prior to November 1, 1999, with respect to Australia and Canada.

Upon termination of the distribution agreement with respect to a Territory, the applicable S&N Group Company has agreed to assist the Company in the transition to any new third party distributor designated by the Company. Subject to certain limited exceptions, any products remaining in the inventory of any terminated S&N Group Company (the "Repurchased Inventory") upon termination of the distribution agreement with respect to a Territory, will be repurchased by the Company, or any new third party distributor designated by the Company with respect to the Territory for an amount equal to

(1) the original purchase price of such Repurchased Inventory plus any duty and tax paid by such S&N Group Company and the cost paid by such S&N Group Company in shipping the Repurchased Inventory to such S&N Group Company plus

(2) any sales tax, VAT, duty or fee incurred by such S&N Group Company with respect to the delivery of such Repurchased Inventory to the Company or such new distributor.

If a dispute arises concerning the applicable repurchase price of the Repurchased Inventory and the parties are not able to resolve such dispute with ten business days, the applicable S&N Group Company has the right to sell and distribute the

products that are the subject of the dispute within or outside the Territories. The Distribution Agreement continues until the termination of the last Territory.

TRANSITION SERVICES AGREEMENT

Pursuant to a transition services agreement among DonJoy and Smith & Nephew, Smith & Nephew has agreed to assist in the transfer and transition of certain services provided by Smith & Nephew prior to the recapitalization as required by the Company, including human resources, payroll, sales tax reporting, insurance coverage, legal and treasury and cash management. Smith & Nephew will also act as authorized European Agent/representative/distributor for DonJoy for purposes of CE regulation. DonJoy will not pay any additional consideration to Smith & Nephew for such services, but will reimburse Smith & Nephew for all payments to third parties in connection with any of the foregoing services. Based on prior practice, such amounts are not expected to be material.

In addition, Smith & Nephew will continue to employ two individuals as employees of Smith & Nephew's affiliates in the United Kingdom and Belgium (the "International Employees") until the earlier of 15 days following receipt of notice from DonJoy requesting termination of the services of such employees or December 31, 1999. DonJoy will reimburse Smith & Nephew for all compensation, expenses and benefits paid or provided to or on behalf of the International Employees.

Smith & Nephew has also agreed to assist in the transition of master group buying contracts relating to ProCare products with NovaCare, Inc., Premier Purchasing Partners, L.P. and AmeriNet Inc. (the "Group Buying Contracts") to separate agreements or arrangements between such companies and the Company. Pending the execution of such separate agreements or arrangements, Smith & Nephew will permit the Company to continue to sell products under the Group Buying Contracts. Through December 31, 1999, the Company will not be required to pay Smith & Nephew any fee for products sold under the Group Buying Contracts. If the Company decides to continue selling under the Group Buying Contracts, the Company will be required to pay Smith & Nephew a fee equal to 1.5% of the Company's gross sales for products sold under the Group Buying Contracts.

Smith & Nephew agreed to indemnify DonJoy, the Company and its officers, managers, equity holders and affiliates with respect to

- any injury, death or property damage arising out of Smith & Nephew or its employees or agents negligence or willful misconduct,

- Smith & Nephew's negligent act or omission or

- Smith & Nephew's failure to comply with its obligations under the transition services agreement. DonJoy has agreed to indemnify Smith & Nephew to the same extent as the foregoing and also with respect to any claim made in respect of the International Employees for actions or omissions after the consummation of the recapitalization and any claim made in respect of any product sold by the Company under any Group Buying Contract. Each party agrees to maintain insurance in the amount of at least $3 million per

occurrence for bodily injury or death and $3 million per occurrence with respect to property damage with a deductible of no more than $250,000.

DonJoy has the right to terminate any service provided under the transition services agreement on thirty days notice to Smith & Nephew. Except as it relates to Group Buying Contracts, the transition services agreement terminates on December 31, 1999.

GROUP RESEARCH CENTRE TECHNOLOGY AGREEMENT

Pursuant to a Group Research Centre Technology Agreement (the "GRC Agreement") between DonJoy and Smith & Nephew entered into in connection with the recapitalization, Smith & Nephew conveyed and assigned to DonJoy an undivided 50% interest in and to the GRC Technology (as defined below). In addition, Smith & Nephew has agreed to, among other things, grant to the Company exclusive or non-exclusive worldwide, royalty-free rights to manufacture, use, import and sell products included within the Non-Compete Business which products are based on certain specified technology and other proprietary information developed as of the closing date of the recapitalization by Group Research Centre, an affiliate of Smith & Nephew (the "GRC Technology"). The licenses granted under the GRC Agreement continue with respect to any particular patent incorporating any such technology until such patent expires, is cancelled or is declared invalid or unenforceable. No assurance can be given that the Company will be able to develop and/or successfully market products based on the technology and proprietary information licensed to the Company pursuant to the GRC Agreement. Any restriction contained in the GRC Agreement with respect to non-patented GRC Technology expires on June 30, 2009.

SUBLEASE

Pursuant to a sublease between the Company and Smith & Nephew entered into in connection with the recapitalization, the Company is subleasing the premises occupied by the Vista facility from Smith & Nephew. The Company will pay rent during the term of the sublease in an amount equal to the amount required to be paid by Smith & Nephew as tenant under the master lease for the Vista facility together with all taxes and other amounts which are the responsibility of Smith & Nephew under the master lease. The initial minimum rent payable by the Company under the sublease is $145,694 per month. DonJoy has guaranteed the payment of rent and other amounts owing under the sublease by the Company. The sublease expires on February 19, 2008 unless sooner terminated as provided in the master lease or the sublease.

CERF LABORATORIES AGREEMENT

Pursuant to a CERF Laboratories Agreement (the "CERF Agreement") between DonJoy and Smith & Nephew, the Company will allow Smith & Nephew and its employees, agents, representatives and invitees to use the Company's Clinical Education Research Facility ("CERF") laboratory, the equipment and supplies in the CERF laboratory and services offered at the CERF laboratory. Smith & Nephew will pay the Company a quarterly fee calculated in the same manner as it was calculated prior to the recapitalization. For 1998 and the first half

of 1999, Smith & Nephew paid DonJoy $63,516 and $20,540, respectively, for use of the CERF laboratory. DonJoy and Smith & Nephew have agreed to indemnify each other and their respective officers, managers, equity holders and affiliates with respect to

- any injury, death or property damage arising out of its or its employees or agents negligence or willful misconduct,

- its negligent act or omission, or

- its failure to comply with its obligations under the CERF Agreement.

In addition, each party has agreed to maintain insurance in the amount of at least $3 million per occurrence for bodily injury or death and $3 million per occurrence with respect to property damage with a deductible of no more than $250,000. The CERF Agreement expires on June 30, 2001 unless renewed upon mutual agreement or unless sooner terminated by Smith & Nephew upon 30 days notice.

OTHER ARRANGEMENTS WITH AFFILIATES OF CDP

In connection with the recapitalization, the Issuers entered into the new credit facility with Chase Securities Inc. ("CSI"), as arranger and book manager, and The Chase Manhattan Bank ("Chase"), as syndication agent and a lender, both of which are affiliates of CDP. In connection with the new credit facility, Chase receives customary fees for acting in such capacities. CSI also acted as financial advisor to Smith & Nephew in connection with the recapitalization and was paid a fee of $2.0 million by Smith & Nephew upon consummation of the recapitalization.

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DESCRIPTION OF NEW CREDIT FACILITY

The following is a summary of the material terms of the new credit facility among the Company, DonJoy, certain financial institutions party thereto (the "Lenders"), First Union National Bank, as administrative agent and collateral agent, and Chase, as syndication agent. The following summary is qualified in its entirety by reference to the definitive documentation for the new credit facility, copies of which have been filed as an exhibit to the registration statement of which this prospectus is a part.

THE FACILITIES

STRUCTURE. The new credit facility provides for

- the term loan in an aggregate principal amount of $15.5 million, and

- the new revolving credit facility providing for revolving loans to the Company, swingline loans to the Company and the issuance of letters of credit for the account of the Company in an aggregate principal amount (including swingline loans and the aggregate stated amount of letters of credit) of $25.0 million.

AVAILABILITY. The full amount of the term loan was drawn on the closing date of the recapitalization and amounts repaid or prepaid will not be permitted to be reborrowed. Availability under the new revolving credit facility will be subject to various conditions precedent typical of bank loans. Amounts under the new revolving credit facility will be available on a revolving basis. As of August 31, 1999, the Company had no borrowings outstanding under the new revolving credit facility.

INTEREST

Borrowings under the new credit facility bear interest at a variable rate per annum equal (at the Company's option) to:

- an adjusted London inter-bank offered rate ("LIBOR") plus a percentage based on the Company's financial performance or

- a rate equal to the highest of the administrative agent's published prime rate, a certificate of deposit rate plus 1% and the Federal Funds effective rate plus 1/2 of 1% ("ABR")

plus, in each case, a margin based on the Company's financial performance. The borrowing margins applicable to the term loan is initially 3.25% for LIBOR loans and 2.25% for ABR loans. As of August 31, 1999, the interest rate on the term loan was 8.50%. The borrowing margins applicable to the new revolving credit facility are initially 2.75% for LIBOR loans and 1.75% for ABR loans. Borrowing margins for each of the term loan and new revolving credit facility are subject to downward adjustment based upon the Company's consolidated leverage ratio. Amounts outstanding under the new credit facility not paid when due bear interest at a default rate equal to 2.00% above the rates otherwise applicable to the loans under the new credit facility.

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FEES

The Company has agreed to pay certain fees with respect to the new credit facility, including

- fees on the unused commitments of the Lenders equal to 0.50% on the undrawn portion of the commitments in respect of the new revolving credit facility (subject to a reduction based on the Company's consolidated leverage ratio);

- letter of credit fees on the aggregate face amount of outstanding letters of credit equal to the then applicable borrowing margin for LIBOR loans under the new revolving credit facility and a 0.25% per annum issuing bank fee for the issuing bank;

- annual administration fees; and

- agent, arrangement and other similar fees.

SECURITY; GUARANTEES

The obligations of the Company under the new credit facility are irrevocably guaranteed, jointly and severally, by DonJoy and DJ Capital and will

be irrevocably guaranteed, jointly and severally, by each subsequently acquired or organized domestic (and, to the extent no adverse tax consequences would result therefrom, foreign) subsidiary of the Company. The Company's Mexican subsidiary (its only existing subsidiary besides DJ Capital) is not a guarantor of the Company's obligations under the new credit facility. In addition, the new credit facility and the guarantees thereunder are secured by substantially all the assets of DonJoy, the Company and DJ Capital and will be secured by substantially all the assets of each subsequently acquired or organized domestic (and, to the extent no adverse tax consequences to the Company would result therefrom, foreign) subsidiary, including but not limited to, in each case subject to certain exceptions:

- a first priority pledge of all the membership interests in the Company,

- a first-priority pledge of all the capital stock, membership interests and other equity interests held by DonJoy, the Company or any domestic (or, subject to the foregoing limitation, foreign) subsidiary of the Company of each existing and subsequently acquired or organized subsidiary of the Company (which pledge, in the case of any foreign subsidiary, shall be limited to 65% of the capital stock, membership interests or other equity interests of such foreign subsidiary to the extent the pledge of any greater percentage would result in adverse tax consequences to the Company), and

- a perfected first priority security interest in, and mortgage on, substantially all tangible and intangible assets of the Company (not including the Company's Mexican subsidiary) and the guarantors (including, but not limited to, accounts receivable, documents, inventory, trademarks, other intellectual property, licensing agreements, equipment, the Company's sub-lease of the Vista, California facility, cash and cash accounts and proceeds of the foregoing).

COMMITMENT REDUCTIONS AND REPAYMENTS

The term loan matures on June 30, 2005. The term loan amortizes in an amount equal to, in each case subject to certain exceptions:

- $0.5 million in each of the first five years of the term loan, and

- $13.0 million in the sixth year thereof.

In addition, the term loan is subject to mandatory prepayments and reductions in an amount equal to

- 100% of the net cash proceeds of certain equity issuances by DonJoy, the Company or any of its subsidiaries,

- 100% of the net cash proceeds of certain debt issuances of DonJoy, the Company or any of its subsidiaries,

- 50% of the Company's excess cash flow (subject to an increase to 75% in the event the Company's consolidated leverage ratio exceeds a certain level), and

- 100% of the net cash proceeds of certain asset sales or other dispositions of property by DonJoy, the Company or any of its subsidiaries.

The new revolving credit facility is available until June 30, 2004, and extensions of credit outstanding thereunder on such date will mature on the fifth business day prior to such date.

AFFIRMATIVE, NEGATIVE AND FINANCIAL COVENANTS

The new credit facility contains a number of covenants that, among other things, restrict the ability of DonJoy, the Company and its subsidiaries to dispose of assets, incur additional indebtedness, incur or guarantee obligations, prepay other indebtedness or amend other debt instruments, pay dividends or make other distributions (except for certain tax distributions as described in the definitive documentation for the new credit facility), redeem or repurchase membership interests or capital stock, create liens on assets, make investments, loans or advances, make acquisitions, engage in mergers or consolidations, change the business conducted by the Company and its subsidiaries, make capital expenditures, or engage in certain transactions with affiliates and otherwise engage in certain activities. In addition, the new credit facility requires DonJoy and its subsidiaries to comply with specified financial ratios and tests, including a maximum consolidated leverage ratio test and a minimum consolidated interest coverage ratio test. The new credit facility also contains provisions that prohibit any modifications of the Indenture in any manner adverse to the Lenders under the new credit facility and that limit the Company's ability to refinance or otherwise prepay the notes without the consent

of such Lenders.

EVENTS OF DEFAULT

The new credit facility contains customary events of default, including non-payment of principal, interest or fees, violation of covenants, inaccuracy of representations or warranties in any material respect, cross default to certain other indebtedness, bankruptcy, ERISA events, material judgments and liabilities, actual or asserted invalidity of any material security interest and change of control.

DESCRIPTION OF THE NOTES

Definitions of certain terms used in this Description of the Notes may be found under the heading "Certain Definitions." For the purposes of this section, the term "Company" refers only to dj Orthopedics, LLC and not any of its subsidiaries, "DJ Capital" refers to DJ Orthopedics Capital Corporation, a Wholly Owned Subsidiary of the Company with nominal assets which conducts no operations, and the "Issuers" refers to the Company and DJ Capital. The parent of the Company, DonJoy, L.L.C., is a guarantor of the notes. Although certain of the Company's subsidiaries formed or acquired in the future, if any, are required to guarantee the notes, the Company's only existing subsidiary (other than DJ Capital), Smith & Nephew DonJoy de Mexico, S.A. de C.V., a corporation formed under the laws of Mexico ("DonJoy Mexico"), is not a guarantor of the notes. Each company which guarantees the notes is referred to in this section as a "Note Guarantor." Each such guarantee is termed a "Note Guarantee."

The Issuers issued the old notes and will issue the new notes under the indenture, dated as of June 30, 1999, among the Company, DJ Capital, DonJoy and The Bank of New York, as trustee (the "Trustee"), a copy of which has been filed as an exhibit to the registration statement of which this prospectus is a part. The indenture contains provisions which define your rights under the notes. In addition, the indenture governs the obligations of the Issuers and of each Note Guarantor under the notes. The terms of the notes include those stated in the indenture and those made part of the Indenture by reference to the TIA.

On June 30, 1999, the Issuers issued $100.0 million aggregate principal amount of old notes under the indenture. The terms of the new notes are identical in all material respects to the old notes, except the new notes will not contain transfer restrictions and holders of new notes will no longer have any registration rights or be entitled to any liquidated damages. The Trustee will authenticate and deliver new notes for original issue only in exchange for a like principal amount of old notes. Any old notes that remain outstanding after the consummation of the exchange offer, together with the new notes, will be treated as a single class of securities under the indenture. Accordingly, all references in this section to specified percentages in aggregate principal amount of the outstanding new notes shall be deemed to mean, at any time after the exchange offer is consummated, such percentage in aggregate principal amount of the old notes and new notes then outstanding.

The following description is meant to be only a summary of certain provisions of the indenture. It does not restate the terms of the indenture in their entirety. We urge that you carefully read the indenture as it, and not this description, governs your rights as Holders.

OVERVIEW OF THE NOTES AND THE NOTE GUARANTEES

THE NOTES

These notes:

- are general unsecured obligations of the Issuers;
- will be subordinated in right of payment to all existing and future Senior Indebtedness of each of the Issuers;
- will rank pari passu in right of payment with all future Senior Subordinated Indebtedness of each of the Issuers;
- will be senior in right of payment to any future Subordinated Obligations of each of the Issuers;
- will be effectively subordinated to any Secured Indebtedness of the Company, DJ Capital and the other Subsidiaries of the Company to the extent of the value of the assets securing such Indebtedness; and
- will be effectively subordinated to all liabilities of DonJoy Mexico,

which is not guaranteeing the notes, and any other future Subsidiaries which do not guarantee the notes.

DJ Capital has no, and the terms of the indenture prohibit it from having any, obligations other than the notes and its guarantee in respect of the new credit facility.

THE NOTE GUARANTEES

The old notes are, and the new notes will be, guaranteed by DonJoy but are not and will not be guaranteed by DonJoy Mexico, the Company's only existing subsidiary (other than DJ Capital).

DonJoy's Note Guarantee and all Note Guarantees, if any, made by future subsidiaries of the Company:

- are general unsecured obligations of the applicable Note Guarantor;

- will be subordinated in right of payment to all future Senior Indebtedness of such Note Guarantor;

- will rank pari passu in right of payment with all future Senior Subordinated Indebtedness of such Note Guarantor;

- will be senior in right of payment to any future Subordinated Obligations of such Note Guarantor; and

- will be effectively subordinated to any Secured Indebtedness of such Note Guarantor to the extent of the value of the assets securing such Indebtedness.

PRINCIPAL, MATURITY AND INTEREST

We issued the old notes in an aggregate principal amount of $100 million. The notes are limited to $100,000,000 in aggregate principal amount and will mature on June 15, 2009. The old notes are, and the new notes will be, in fully registered form, without coupons, in denominations of $1,000 and any integral multiple of $1,000.

Each note bears interest at a rate of 12 5/8% per annum from the Closing Date, or from the most recent date to which interest has been paid or provided for. We will pay interest semiannually on June 15 and December 15 of each year, commencing December 15, 1999 to Holders of record at the close of business on the June 1 or December 1 immediately preceding the interest payment date. We will pay interest on overdue principal and, to the extent lawful, overdue installments of interest at the rate borne by the notes.

Holders of old notes whose old notes are accepted for exchange in the exchange offer will be deemed to have waived the right to receive any payment in respect of interest on the old notes accrued from June 30, 1999 (the original issue date of the old notes) to the date of issuance of the new notes. Consequently, Holders who exchange their old notes for new notes will receive the same interest payment on December 15, 1999 (the first interest payment date with respect to the old notes and the new notes following consummation of the exchange offer) that they would have received had they not accepted the exchange offer.

PAYING AGENT AND REGISTRAR

We will pay the principal of, premium, if any, and interest on the notes at any office of ours or any agency designated by us which is located in the Borough of Manhattan, The City of New York. We have initially designated the corporate trust office of the Trustee to act as our agent in such matters. The location of the corporate trust office is 101 Barclay Street, New York, New York 10286. We, however, reserve the right to pay interest to Holders by check mailed directly to Holders at their registered addresses.

Holders may exchange or transfer their notes at the same location given in the preceding paragraph. No service charge will be made for any registration of transfer or exchange of notes. We, however, may require Holders to pay any transfer tax or other similar governmental charge payable in connection with any such transfer or exchange.

OPTIONAL REDEMPTION

Except as set forth in the following paragraph, the Issuers may not redeem the notes prior to June 15, 2004. On or after that date, the Issuers may redeem the notes, in whole or in part, on not less than 30 nor more than 60 days' prior notice, at the following redemption prices (expressed as percentages of principal amount), plus accrued and unpaid interest and liquidated damages thereon, if any, to the redemption date (subject to the right of Holders of

record on the relevant record date to receive interest due on the relevant interest payment date), if

redeemed during the 12-month period commencing on June 15 of the years set forth below:

<TABLE>
<CAPTION>

YEAR	REDEMPTION PRICE
<S>	<C>
2004	106.313%
2005	104.208%
2006	102.104%
2007 and thereafter	100.000%

</TABLE>

Prior to June 15, 2002, the Issuers may, on one or more occasions, also redeem up to a maximum of 35% of the original aggregate principal amount of the notes with the Net Cash Proceeds of one or more Equity Offerings (1) by the Company or (2) by DonJoy to the extent the Net Cash Proceeds thereof are contributed to the Company or used to purchase Equity Interests (other than Disqualified Equity Interests) of the Company from the Company, at a redemption price equal to 112.625% of the principal amount thereof, plus accrued and unpaid interest and liquidated damages thereon, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); provided, however, that after giving effect to any such redemption:

(1) at least 65% of the original aggregate principal amount of the notes remains outstanding; and

(2) any such redemption by the Issuers must be made within 90 days of such Equity Offering and must be made in accordance with certain procedures set forth in the indenture.

SELECTION

If we partially redeem notes, the Trustee will select the notes to be redeemed on a pro rata basis, by lot or by such other method as the Trustee in its sole discretion shall deem to be fair and appropriate, although no note of $1,000 in original principal amount will be redeemed in part. If we redeem any note in part only, the notice of redemption relating to such note shall state the portion of the principal amount thereof to be redeemed. A new note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancelation of the original note. On and after the redemption date, interest will cease to accrue on notes or portions thereof called for redemption so long as we have deposited with the Paying Agent funds sufficient to pay the principal of, plus accrued and unpaid interest and liquidated damages, if any, on, the notes to be redeemed.

RANKING

The notes are unsecured Senior Subordinated Indebtedness of the Issuers, are subordinated in right of payment to all existing and future Senior Indebtedness of each of the Issuers, rank pari passu in right of payment with all existing and future Senior Subordinated Indebtedness of each of the Issuers and are senior in right of payment to all existing and future Subordinated Obligations of each of the

Issuers. DJ Capital has no, and the terms of the indenture prohibit it from having any, obligations other than the notes and its guarantee of the new credit facility. The notes also are effectively subordinated to any Secured Indebtedness of the Company, DJ Capital and the other Subsidiaries of the Company to the extent of the value of the assets securing such Indebtedness. However, payment from the money or the proceeds of U.S. Government Obligations held in any defeasance trust described below under the caption "-- Defeasance" will not be subordinated to any Senior Indebtedness or subject to the restrictions described herein.

The Company currently conducts certain of its operations through DonJoy Mexico, its only Subsidiary (other than DJ Capital). DonJoy Mexico is not a guarantor of the notes. The indenture does not restrict the ability of the Company to create, acquire or capitalize Subsidiaries in the future. Creditors of DonJoy Mexico and any future Subsidiary that does not Guarantee the notes, including trade creditors and preferred equity holders (if any), generally will

have priority with respect to the assets and earnings of DonJoy Mexico or such future Subsidiary over the claims of the Company's and DJ Capital's creditors, including Holders. The notes, therefore, are effectively subordinated to claims of creditors, including trade creditors and preferred equity holders (if any), of DonJoy Mexico and any other Subsidiaries of the Company formed or acquired in the future that do not guarantee the notes. As of June 29, 1999, on a pro forma basis after giving effect to the Transactions, DonJoy Mexico's total liabilities, including trade payables, as reflected on its balance sheet, were approximately $0.1 million. Although the indenture limits the Incurrence of Indebtedness by and the issuance of Preferred Equity Interests of DonJoy Mexico and certain of the Company's future Subsidiaries, such limitation is subject to a number of significant qualifications.

Assuming that we had completed the Transactions as of June 29, 1999, there would have been outstanding:

(1) $15.5 million of Senior Indebtedness of the Company, all of which would have been Secured Indebtedness (exclusive of unused commitments under the new revolving credit facility);

(2) no Senior Subordinated Indebtedness of the Company (other than the notes) and no indebtedness of the Company that is subordinate or junior in right of payment to the notes;

(3) no Indebtedness of DJ Capital (other than the notes and its guarantee in respect of the Credit Agreement);

(4) no Senior Indebtedness of DonJoy, the only Note Guarantor (other than its guarantee of Indebtedness under the Credit Agreement); and

(5) no Senior Subordinated Indebtedness of DonJoy, currently the only Note Guarantor (other than its Note Guarantee), and no Indebtedness of DonJoy that is subordinate or junior in right of payment to its Note Guarantee.

Subject to certain conditions, the indenture permits us to incur substantial amounts of additional Indebtedness. Such Indebtedness may be Senior Indebtedness. See "-- Certain Covenants -- Limitation on Indebtedness" below.

"Senior Indebtedness" of the Company, DJ Capital or any Note Guarantor, as the case may be, means the principal of, premium (if any) and accrued and unpaid interest on (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization of the Company, DJ Capital or any Note Guarantor, as applicable, regardless of whether or not a claim for post-filing interest is allowed in such proceedings), and fees and all other amounts owing in respect of, Bank Indebtedness and all other Indebtedness of the Company, DJ Capital or any Note Guarantor, as applicable, whether outstanding on the Closing Date or thereafter Incurred, unless in the instrument creating or evidencing the same or pursuant to which the same is outstanding it is provided that such obligations are not superior in right of payment to the notes or such Note Guarantor's Note Guarantee; provided, however, that Senior Indebtedness shall not include:

(1) any obligation of the Company to any Subsidiary of the Company or of any Note Guarantor or DJ Capital to the Company or any other Subsidiary of the Company;

(2) any liability for federal, state, local or other taxes owed or owing by the Company, DJ Capital or any Note Guarantor;

(3) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including Guarantees thereof or instruments evidencing such liabilities);

(4) any Indebtedness or obligation of the Company, DJ Capital or any Note Guarantor (and any accrued and unpaid interest in respect thereof) that by its terms is subordinate or junior in right of payment to any other Indebtedness or obligation of the Company, DJ Capital or such Note Guarantor, as applicable, including any Senior Subordinated Indebtedness and any Subordinated Obligations;

(5) any obligations with respect to any Equity Interest; or

(6) any Indebtedness Incurred in violation of the indenture.

Only Indebtedness of the Company or DJ Capital that is Senior Indebtedness will rank senior to the notes. The notes will rank pari passu in all respects with all other Senior Subordinated Indebtedness of the Company or DJ Capital. The Issuers have agreed in the indenture that each of them will not Incur, directly or indirectly, any Indebtedness which is subordinate or junior in right of payment to Senior Indebtedness of such Issuer unless such Indebtedness is

Senior Subordinated Indebtedness or is expressly subordinated in right of payment to Senior Subordinated Indebtedness. Unsecured Indebtedness is not deemed to be subordinate or junior to Secured Indebtedness merely because it is unsecured.

The Issuers may not pay principal of, premium (if any) or interest on the notes, or make any deposit pursuant to the provisions described under "Defeasance" below, and may not otherwise repurchase, redeem or otherwise retire any notes (collectively, "pay the notes") if:

(1) any Designated Senior Indebtedness of either of the Issuers is not paid when due, or

(2) any other default on such Designated Senior Indebtedness occurs and the maturity of such Designated Senior Indebtedness is accelerated in accordance with its terms unless, in either case,

(x) the default has been cured or waived and any such acceleration has been rescinded, or

(y) such Designated Senior Indebtedness has been paid in full;

provided, however, that the Issuers may pay the notes without regard to the foregoing if the Issuers and the Trustee receive written notice approving such payment from the Representative of the Designated Senior Indebtedness with respect to which either of the events set forth in clause (1) or (2) above has occurred and is continuing.

During the continuance of any default (other than a default described in clause (1) or (2) above) with respect to any Designated Senior Indebtedness of either Issuer pursuant to which the maturity thereof may be accelerated immediately without further notice (except such notice as may be required to effect such acceleration) or the expiration of any applicable grace periods, the Issuers may not pay the notes for a period (a "Payment Blockage Period") commencing upon the receipt by the Trustee (with a copy to the Issuers) of written notice, specified as a "Notice of Default" and describing with particularity the default under such Designated Senior Indebtedness (a "Blockage Notice"), of such default from the Representative of such Designated Senior Indebtedness specifying an election to effect a Payment Blockage Period and ending 179 days thereafter (or earlier if such Payment Blockage Period is terminated:

(1) by written notice to the Trustee and the Issuers from the Person or Persons who gave such Blockage Notice,

(2) by repayment in full of such Designated Senior Indebtedness, or

(3) because the default giving rise to such Blockage Notice is no longer continuing).

Notwithstanding the provisions described in the immediately preceding sentence (but subject to the provisions contained in the second preceding sentence), unless the holders of such Designated Senior Indebtedness or the Representative of such holders have accelerated the maturity of such Designated Senior Indebtedness, the Issuers may resume payments on the notes after the end of such Payment Blockage Period.

Not more than one Blockage Notice may be given in any consecutive 360-day period, irrespective of the number of defaults with respect to Designated Senior Indebtedness during such period. However, if any Blockage Notice within such 360-day period is given by or on behalf of any holders of Designated Senior Indebtedness other than the Bank Indebtedness, the Representative of the Bank Indebtedness may give another Blockage Notice within such period. In no event, however, may the total number of days during which any Payment Blockage Period or Periods is in effect exceed 179 days in the aggregate during any 360 consecutive day period. For purposes of this paragraph, no default or event of default that existed or was continuing on the date of the commencement of any Payment Blockage Period with respect to the Designated Senior Indebtedness

initiating such Payment Blockage Period shall be, or be made, the basis of the commencement of a subsequent Payment Blockage Period by the Representative of such Designated Senior Indebtedness, whether or not within a period of 360 consecutive days, unless such default or event of default shall have been cured or waived for a period of not less than 90 consecutive days.

Upon any payment or distribution of the assets of the Company or DJ Capital to their respective creditors upon a total or partial liquidation or a total or

partial dissolution of the Company or DJ Capital or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its property or DJ Capital or its property:

(1) the holders of Senior Indebtedness of the Company or DJ Capital, as the case may be, will be entitled to receive payment in full of such Senior Indebtedness before the Holders of the notes are entitled to receive any payment of principal of or interest on the notes; and

(2) until such Senior Indebtedness is paid in full, any payment or distribution to which Holders would be entitled but for the subordination provisions of the indenture will be made to holders of such Senior Indebtedness as their interests may appear, except that Holders of the notes may receive Equity Interests and any debt securities that are subordinated to such Senior Indebtedness to at least the same extent as the notes.

If a payment or distribution is made to Holders of the notes that due to the subordination provisions of the indenture should not have been made to them, such Holders will be required to hold it in trust for the benefit of the holders of Senior Indebtedness of the Company or DJ Capital, as the case may be, and pay it over to them as their interests may appear.

If payment of the notes is accelerated because of an Event of Default, the Issuers or the Trustee shall promptly notify the holders of each Issuer's Designated Senior Indebtedness (or their Representative) of the acceleration. If any such Designated Senior Indebtedness is outstanding, the Issuers may not pay the notes until five Business Days after such holders or the Representative of such Designated Senior Indebtedness receive notice of such acceleration and, thereafter, may pay the notes only if the subordination provisions of the indenture otherwise permit payment at that time.

By reason of the subordination provisions of the indenture, in the event of insolvency, creditors of the Issuers who are holders of Senior Indebtedness may recover more, ratably, than the Holders of the notes, and creditors of the Issuers who are not holders of Senior Indebtedness may recover less, ratably, than holders of Senior Indebtedness and may recover more, ratably, than the holders of the notes.

NOTE GUARANTEES

DonJoy and certain future Subsidiaries of the Company (as described below), as primary obligors and not merely as sureties, will jointly and severally unconditionally Guarantee on an unsecured senior subordinated basis the performance and full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all obligations of the Issuers under the indenture

(including obligations to the Trustee) and the notes, whether for payment of principal of or interest on or liquidated damages in respect of the old notes, expenses, indemnification or otherwise (all such obligations guaranteed by such Note Guarantors being herein called the "Guaranteed Obligations"). Such Note Guarantors will agree to pay, in addition to the amount stated above, any and all costs and expenses (including reasonable counsel fees and expenses) incurred by the Trustee or the Holders in enforcing any rights under the Note Guarantees. Each Note Guarantee will be limited in amount to an amount not to exceed the maximum amount that can be Guaranteed by the applicable Note Guarantor without rendering the Note Guarantee, as it relates to such Note Guarantor, void or voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. The Company has agreed to cause each Domestic Subsidiary to execute and deliver to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary will Guarantee payment of the notes. See "-- Certain Covenants -- Future Note Guarantors" below.

The obligations of a Note Guarantor under its Note Guarantee are senior subordinated obligations. As such, the rights of Holders to receive payment by a Note Guarantor pursuant to its Note Guarantee will be subordinated in right of payment to the rights of holders of Senior Indebtedness of such Note Guarantor. The terms of the subordination provisions described above with respect to the Issuers' obligations under the notes apply equally to a Note Guarantor and the obligations of such Note Guarantor under its Note Guarantee.

Each Note Guarantee is a continuing guarantee and shall

- remain in full force and effect until payment in full of all the Guaranteed Obligations,

- be binding upon each Note Guarantor and its successors, and

- inure to the benefit of, and be enforceable by, the Trustee, the Holders

and their successors, transferees and assigns.

CHANGE OF CONTROL

Upon the occurrence of any of the following events (each a "Change of Control"), each Holder will have the right to require the Issuers to repurchase all or any part of such Holder's notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest (and, in the case of the old notes, liquidated damages, if any), to the date of repurchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); provided, however, that notwithstanding the occurrence of a Change of Control, the Issuers shall not be obligated to repurchase the notes pursuant to this covenant in the event that the Issuers have exercised their right to redeem all the notes under the terms of the section titled "Optional Redemption":

(1) prior to the earlier to occur of

(A) the first public offering of common Equity Interests of DonJoy or

(B) the first public offering of common Equity Interests of the Company,

the Permitted Holders cease to be the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of a majority in the aggregate of the total voting power of the Voting Equity Interests of the Company or DonJoy, whether as a result of issuance of securities of DonJoy or the Company, any merger, consolidation, liquidation or dissolution of DonJoy or the Company, any direct or indirect transfer of securities by any Permitted Holder or otherwise (for purposes of this clause (1) and clause (2) below, the Permitted Holders shall be deemed to beneficially own any Voting Equity Interests of an entity (the "specified entity") held by any other entity (the "parent entity") so long as the Permitted Holders beneficially own (as so defined), directly or indirectly, in the aggregate a majority of the voting power of the Voting Equity Interests of the parent entity);

(2) (A) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act, including any group acting for the purpose of acquiring, holding or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act), other than one or more Permitted Holders, is or becomes the beneficial owner (as defined in clause (1) above, except that for purposes of this clause (2) a person (including a Permitted Holder) shall be deemed to have "beneficial ownership" of all Equity Interests that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time, upon the happening of any event or otherwise), directly or indirectly, of more than 35% of the total voting power of the Voting Equity Interests of the Company or DonJoy, and

(B) the Permitted Holders "beneficially own" (as defined in clause (1) above), directly or indirectly, in the aggregate a lesser percentage of the total voting power of the Voting Equity Interests of the Company or DonJoy than such other person and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Governing Board of the Company or DonJoy, as the case may be (for the purposes of this clause (2), such other person shall be deemed to beneficially own any Voting Equity Interests of a specified entity held by a parent entity, if such other person is the beneficial owner (as defined in this clause (2)), directly or indirectly, of more than 35% of the voting power of the Voting Equity Interests of such parent entity and the Permitted Holders "beneficially own" (as defined in clause (1) above), directly or indirectly, in the aggregate a lesser percentage of the voting power of the Voting Equity Interests of such parent entity and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Governing Board of such parent entity);

(3) during any period of two consecutive years, individuals who at the beginning of such period constituted the Governing Board of the Company or DonJoy, as the case may be (together with any new persons (A) elected in accordance with the Members' Agreement so long as such agreement is in effect or (B) whose election by such Governing Board of the Company or

DonJoy, as the case may be, or whose nomination for election by the equity holders of the Company or DonJoy, as the case may be, was approved by a

vote of at least a majority of the members of the Governing Board of the Company or DonJoy, as the case may be, then still in office who were either members of the Governing Board at the beginning of such period or who were selected in accordance with the Members' Agreement or whose election or nomination for election was previously so approved), cease for any reason to constitute a majority of the Governing Board of the Company or DonJoy, as the case may be, then in office;

(4) the adoption of a plan relating to the liquidation or dissolution of the Company, DJ Capital or DonJoy;

(5) the merger or consolidation of the Company or DonJoy with or into another Person or the merger of another Person with or into the Company or DonJoy, or the sale of all or substantially all the assets of the Company or DonJoy to another Person (other than a Person that is controlled by the Permitted Holders), and, in the case of any such merger or consolidation, the securities of the Company or DonJoy that are outstanding immediately prior to such transaction and which represent 100% of the aggregate voting power of the Voting Equity Interests of the Company or DonJoy are changed into or exchanged for cash, securities or property, unless pursuant to such transaction such securities are changed into or exchanged for, in addition to any other consideration, securities of the surviving Person or transferee that represent immediately after such transaction, at least a majority of the aggregate voting power of the Voting Equity Interests of the surviving Person or transferee; or

(6) the Company ceases to own, of record or beneficially, all the Equity Interests of DJ Capital.

In the event that at the time of a Change of Control the terms of any agreement governing Indebtedness of the Company or its Subsidiaries restrict or prohibit the repurchase of notes pursuant to this covenant, then prior to the mailing of the notice to Holders provided for in the immediately following paragraph but in any event within 30 days following any Change of Control, the Company shall:

(1) repay in full all such Indebtedness or offer to repay in full all such Indebtedness and repay the Indebtedness of each lender who has accepted such offer, or

(2) obtain the requisite consent of the lenders under such agreements to permit the repurchase of the notes as provided for below.

If the Company does not obtain such consents or repay such Indebtedness, the Company will remain prohibited from repurchasing the notes pursuant to this covenant. In such event the Company's failure to make an offer to purchase notes pursuant to this covenant would constitute an Event of Default under the indenture which in turn would constitute a default under the Credit Agreement. In such circumstances, the subordination provisions of the indenture would likely prohibit payments to Holders of the notes.

Within 30 days following any Change of Control, the Issuers shall mail a notice to each Holder with a copy to the Trustee (the "Change of Control Offer") stating:

(1) that a Change of Control has occurred and that such Holder has the right to require the Issuers to purchase such Holder's notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest (and, in the case of the old notes, liquidated damages, if any) to the date of repurchase (subject to the right of Holders of record on the relevant record date to receive interest on the relevant interest payment date);

(2) the circumstances and relevant facts and financial information regarding such Change of Control;

(3) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and

(4) the instructions determined by the Issuers, consistent with this covenant, that a Holder must follow in order to have its notes purchased.

The Issuers will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to a Change of Control Offer made by the Issuers and purchases all notes validly tendered and not withdrawn under such Change of Control Offer.

The Issuers will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations

in connection with the repurchase of notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuers will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue thereof.

The Change of Control purchase feature is a result of negotiations among the Issuers and the initial purchaser of the old notes in the private offering. Management has no present intention to engage in a transaction involving a Change of Control, although it is possible that the Issuers would decide to do so in the future. Subject to the limitations discussed below, the Issuers could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the indenture, but that could increase the amount of indebtedness outstanding at such time or otherwise affect the Issuers' capital structures or credit ratings. Restrictions on the ability of the Issuers to incur additional Indebtedness are contained in the covenants described under "-- Certain Covenants -- Limitation on Indebtedness" and "-- Limitation on the Conduct of Business of DJ Capital". Such restrictions can only be waived with the consent of the Holders of a majority in principal amount of the notes then outstanding. Except for the limitations contained in such covenants, however, the indenture will not contain any covenants or provisions that may afford Holders protection in the event of a highly leveraged transaction.

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The occurrence of certain of the events which would constitute a Change of Control would constitute a default under the Credit Agreement. Future Senior Indebtedness may contain prohibitions of certain events which would constitute a Change of Control or require such Senior Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuers to repurchase the notes could cause a default under such Senior Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuers. Finally, the Issuers' ability to pay cash to the Holders upon a repurchase may be limited by the Issuers' then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. The provisions under the indenture relative to the Issuers' obligation to make an offer to repurchase the notes as a result of a Change of Control may be waived or modified with the written consent of the Holders of a majority in principal amount of the notes.

CERTAIN COVENANTS

The indenture contains covenants including, among others, the following:

LIMITATION ON INDEBTEDNESS. (a) The Company will not, and will not permit any Restricted Subsidiary to, Incur, directly or indirectly, any Indebtedness; provided, however, that the Company or any Restricted Subsidiary that is a Note Guarantor may Incur Indebtedness if on the date of such Incurrence and after giving effect thereto the Consolidated Coverage Ratio would be greater than 2.00:1.00 if such Indebtedness is Incurred on or prior to December 31, 2000 and 2.25:1.00 if such Indebtedness is Incurred thereafter. Notwithstanding the foregoing, the Company will not permit DJ Capital to Incur any Indebtedness other than the notes and its guarantee in respect of the new credit facility.

(b) Notwithstanding the foregoing paragraph (a), the Company and its Restricted Subsidiaries (other than DJ Capital) may Incur the following Indebtedness:

(1) Indebtedness Incurred pursuant to the Credit Agreement in an aggregate principal amount not to exceed $40.5 million at any one time outstanding less the aggregate amount of all repayments of principal of such Indebtedness pursuant to the covenant described under "-- Limitation on Sales of Assets and Subsidiary Equity Interests";

(2) Indebtedness of the Company owed to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owed to and held by the Company or any Restricted Subsidiary; provided, however, that

(A) any subsequent issuance or transfer of any Equity Interests or any other event that results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of any such Indebtedness (except to the Company or a Restricted Subsidiary) shall be deemed, in each case, to constitute the Incurrence of such Indebtedness by the issuer thereof,

(B) if the Company is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations with respect to the notes,

(C) if a Restricted Subsidiary is the obligor on such Indebtedness, such Indebtedness is made pursuant to an intercompany note, and

(D) if a Note Guarantor is the obligor on such Indebtedness, such Indebtedness is subordinated in right of payment to the Note Guarantee of such Note Guarantor;

(3) Indebtedness

(A) represented by the notes and the Note Guarantees,

(B) outstanding on the Closing Date (other than the Indebtedness described in clauses (1) and (2) above),

(C) consisting of Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (3) (including Indebtedness Refinancing Refinancing Indebtedness) or the foregoing paragraph (a) and

(D) consisting of Guarantees of any Indebtedness permitted under clauses (1) and (2) of this paragraph (b);

(4) (A) Indebtedness of a Restricted Subsidiary Incurred and outstanding on or prior to the date on which such Restricted Subsidiary was acquired by the Company (other than Indebtedness Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Subsidiary of or was otherwise acquired by the Company) and

(B) Refinancing Indebtedness Incurred by a Restricted Subsidiary in respect of Indebtedness Incurred by such Restricted Subsidiary pursuant to this clause (4);

(5) Indebtedness of the Company or a Restricted Subsidiary

(A) in respect of performance bonds, bankers' acceptances, letters of credit and surety or appeal bonds provided by the Company and the Restricted Subsidiaries in the ordinary course of their business, and

(B) under Interest Rate Agreements and Currency Agreements entered into for bona fide hedging purposes of the Company or any Restricted Subsidiary in the ordinary course of business; provided, however, that such Interest Rate Agreements or Currency Agreements do not increase the principal amount of Indebtedness of the Company and its Restricted Subsidiaries outstanding at any time other than as a result of fluctuations in interest rates or foreign currency exchange rates or by reason of fees, indemnities and compensation payable thereunder;

(6) Indebtedness (including Capitalized Lease Obligations) Incurred by the Company or any of its Restricted Subsidiaries to finance the purchase, lease or improvement of property (real or personal), equipment or other assets (in each case whether through the direct purchase of assets or the Equity Interests of any Person owning such assets) in an aggregate principal amount which, when aggregated with the principal amount of all other

Indebtedness then outstanding and Incurred pursuant to this clause (6) and all Refinancing Indebtedness Incurred to refund, refinance or replace any Indebtedness Incurred pursuant to this clause (6), does not exceed $10.0 million;

(7) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course, provided that such Indebtedness is extinguished within five Business Days of Incurrence;

(8) Indebtedness of the Company and its Restricted Subsidiaries arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case incurred or assumed in connection with the disposition of any business, assets or a Subsidiary of the Company in accordance with the terms of the indenture, other than Guarantees by the Company or any Restricted Subsidiary of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or a Subsidiary of the Company for the purpose of financing such acquisition; provided, however, that

(A) such Indebtedness is not reflected on the consolidated balance sheet of the Company and

(B) the maximum aggregate liability in respect of all such Indebtedness shall not exceed the gross proceeds, including the fair market value as determined in good faith by a majority of the Governing Board of noncash proceeds (the fair market value of such noncash proceeds being measured at the time it is received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with such disposition; or

(9) Indebtedness of the Company and its Restricted Subsidiaries (in addition to Indebtedness permitted to be Incurred pursuant to the foregoing paragraph (a) or any other clause of this paragraph (b)) in an aggregate principal amount on the date of Incurrence that, when added to all other Indebtedness Incurred pursuant to this clause (9) and then outstanding, shall not exceed $15.0 million.

(c) Notwithstanding the foregoing, the Company may not Incur any Indebtedness pursuant to paragraph (b) above if the proceeds thereof are used, directly or indirectly, to repay, prepay, redeem, defease, retire, refund or refinance any Subordinated Obligations unless such Indebtedness will be subordinated to the notes to at least the same extent as such Subordinated Obligations. The Company may not Incur any Indebtedness if such Indebtedness is subordinate or junior in right of payment to any Senior Indebtedness unless such Indebtedness is Senior Subordinated Indebtedness or is expressly subordinated in right of payment to Senior Subordinated Indebtedness. In addition, the Company may not Incur any Secured Indebtedness which is not Senior Indebtedness unless contemporaneously therewith effective provision is made to secure the notes equally and ratably with (or on a senior basis to, in the case of Indebtedness subordinated in right of payment to the notes) such Secured Indebtedness for so long as such Secured

Indebtedness is secured by a Lien, except for Senior Subordinated Indebtedness and Subordinated Obligations secured by Liens on the assets of any entity existing at the time such entity is acquired by, and becomes a Restricted Subsidiary of, the Company, whether by merger, consolidation, purchase of assets or otherwise, provided that such Liens

(1) are not created, incurred or assumed in connection with, or in contemplation of such entity being acquired by the Company, and

(2) do not extend to any other assets of the Company or any of its Subsidiaries.

A Note Guarantor may not Incur any Indebtedness if such Indebtedness is by its terms expressly subordinate or junior in right of payment to any Senior Indebtedness of such Note Guarantor unless such Indebtedness is Senior Subordinated Indebtedness of such Note Guarantor or is expressly subordinated in right of payment to Senior Subordinated Indebtedness of such Note Guarantor. In addition, a Note Guarantor may not Incur any Secured Indebtedness that is not Senior Indebtedness of such Note Guarantor unless contemporaneously therewith effective provision is made to secure the Note Guarantee of such Note Guarantor equally and ratably with (or on a senior basis to, in the case of Indebtedness subordinated in right of payment to such Note Guarantee) such Secured Indebtedness for as long as such Secured Indebtedness is secured by a Lien, except for Senior Subordinated Indebtedness and Subordinated Obligations of such Note Guarantor secured by Liens on the assets of any entity existing at the time such entity is acquired by such Note Guarantor, whether by merger, consolidation, purchase of assets or otherwise, provided that such Liens

(1) are not created, incurred or assumed in connection with or in contemplation of such assets being acquired by such Note Guarantor and

(2) do not extend to any other assets of the Company or any of its Subsidiaries.

(d) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rates of currencies. For purposes of determining the outstanding principal amount of any particular Indebtedness Incurred pursuant to this covenant:

(1) Indebtedness Incurred pursuant to the Credit Agreement prior to or on the Closing Date shall be treated as Incurred pursuant to clause (1) of paragraph (b) above,

(2) Guarantees or obligations in respect of letters of credit relating to Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included,

(3) The principal amount of any Disqualified Equity Interests or Preferred Equity Interests shall be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the maximum liquidation preference,

(4) The principal amount of Indebtedness, Disqualified Equity Interests or Preferred Equity Interests issued at a price less than the principal amount thereof, the maximum fixed redemption or repurchase price thereof or liquidation preference thereof, as applicable, will be equal to the amount of the liability or obligation in respect thereof determined in accordance with GAAP,

(5) If such Indebtedness is denominated in a currency other than U.S. dollars, the U.S. dollar equivalent principal amount thereof shall be calculated based on the relevant currency exchange rates in effect on the date such Indebtedness was Incurred,

(6) The accrual of interest, accrual of dividends, the accretion of accreted value, the payment of interest in the form of additional Indebtedness and the payment of dividends or distributions in the form of additional Equity Interests shall not be deemed an incurrence of Indebtedness for purposes of this covenant,

(7) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness, and

(8) In the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in this covenant, the Company, in its sole discretion, shall classify such Indebtedness and only be required to include the amount of such Indebtedness in one of such clauses.

LIMITATION ON RESTRICTED PAYMENTS. (a) The Company will not, and will not permit any Restricted Subsidiary, directly or indirectly, to:

(1) declare or pay any dividend or make any distribution of any kind on or in respect of its Equity Interests (including any payment in connection with any merger or consolidation involving the Company) or similar payment to the direct or indirect holders (in their capacities as such) of its Equity Interests except dividends or distributions payable solely in its Equity Interests (other than Disqualified Equity Interests) and except dividends or distributions payable to the Company or another Restricted Subsidiary (and, if such Restricted Subsidiary has equity holders other than the Company or other Restricted Subsidiaries, to its other equity holders on a pro rata basis),

(2) purchase, redeem, retire or otherwise acquire for value any Equity Interests of DonJoy (or any other direct or indirect parent company of the Company), the Company or any Restricted Subsidiary held by Persons other than the Company or another Restricted Subsidiary,

(3) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment any Subordinated Obligations (other than

(A) the purchase, repurchase or other acquisition of Subordinated Obligations purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of acquisition and

(B) Indebtedness described in clause (2) of paragraph (b) of the covenant described under "-- Limitation on Indebtedness"), or

(4) make any Investment (other than a Permitted Investment) in any Person (any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Investment being herein referred to as a "Restricted Payment") if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(A) a Default will have occurred and be continuing (or would result therefrom);

(B) the Company could not Incur at least $1.00 of additional Indebtedness under paragraph (a) of the covenant described under "-- Limitation on Indebtedness"; or

(C) the aggregate amount of such Restricted Payment and all other Restricted Payments (the amount so expended, if other than in cash, to be determined in good faith by the Governing Board, whose determination will be conclusive and evidenced by a resolution of the Governing Board) declared or made subsequent to the Closing Date would exceed the sum, without duplication, of:

(i) 50% of the Consolidated Net Income accrued during the period (treated as one accounting period) from the beginning of the fiscal quarter immediately following the fiscal quarter during which the Closing Date occurs to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which consolidated financial statements of the Company are publicly available (or, in case such Consolidated Net Income will be a deficit, minus 100% of such deficit);

(ii) the aggregate Net Cash Proceeds received by the Company

- as capital contributions to the Company after the Closing Date or

- from the issue or sale of its Equity Interests (other than Disqualified Equity Interests) subsequent to the Closing Date

(other than a capital contribution from or an issuance or sale to

- a Subsidiary of the Company or

- an employee equity ownership or participation plan or other trust established by the Company or any of its Subsidiaries);

(iii) the amount by which Indebtedness of the Company or its Restricted Subsidiaries is reduced on the Company's balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Closing Date of any Indebtedness of the Company or its Restricted Subsidiaries issued after the Closing

Date which is convertible or exchangeable for Equity Interests (other than Disqualified Equity Interests) of DonJoy or the Company (less the amount of any cash or the fair market value of other property distributed by the Company or any Restricted Subsidiary upon such conversion or exchange);

(iv) 100% of the aggregate amount received by the Company or any Restricted Subsidiary in cash from the sale or other disposition (other than to

- the Company or a Subsidiary of the Company or

- an employee equity ownership or participation plan or other trust established by the Company or any of its Subsidiaries)

of Restricted Investments made by the Company or any Restricted Subsidiary after the Closing Date and from repurchases and redemptions of such Restricted Investments from the Company or any Restricted Subsidiary by any Person (other than

- the Company or any of its Subsidiaries or

- an employee equity ownership or participation plan or other trust established by the Company or any of its Restricted Subsidiaries)

and from repayments of loans or advances which constituted Restricted Investments; provided, however, that the amount included in this clause (iv) with respect to any particular Restricted Investment shall not exceed the amount of cash expended by the Company or any Restricted Subsidiary in connection with making such Restricted Investment; and

(v) the amount equal to the net reduction in Investments in Unrestricted Subsidiaries resulting from

- payments of dividends, repayments of the principal of loans or advances or other transfers of assets to the Company or any Restricted Subsidiary from Unrestricted Subsidiaries or

- the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued in each case as provided in the definition of "Investment") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount was included in the calculation of the amount of Restricted Payments.

(b) The provisions of the foregoing paragraph (a) will not prohibit:

(1) any purchase, repurchase, retirement or other acquisition or retirement for value of, or other distribution in respect of, Equity Interests of the Company made by exchange for, or out of the proceeds of the substantially concurrent sale of, Equity Interests of the Company or capital contributions to the Company after the Closing Date (other than Disqualified Equity Interests

and other than Equity Interests issued or sold to, or capital contributions from, a Subsidiary of the Company or an employee equity ownership or participation plan or other trust established by the Company or any of its Subsidiaries); provided, however, that:

(A) such Restricted Payment will be excluded in the calculation of the amount of Restricted Payments, and

(B) the Net Cash Proceeds from such sale or capital contribution applied in the manner set forth in this clause (1) will be excluded from the calculation of amounts under clause (4)(C)(ii) of paragraph (a) above;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations of the Company or a Restricted Subsidiary made by exchange for, or out of the proceeds of the substantially concurrent sale of,

(A) Equity Interests of DonJoy or the Company (other than Disqualified Equity Interests) or

(B) Subordinated Obligations of the Company or a Restricted Subsidiary that are permitted to be Incurred pursuant to the covenant described under "-- Limitation on Indebtedness;"

provided, however, that such purchase, repurchase, redemption, defeasance or other acquisition or retirement for value will be excluded in the calculation of the amount of Restricted Payments;

(3) any purchase or redemption of Subordinated Obligations from Net Available Cash to the extent permitted by the covenant described under "-- Limitation on Sales of Assets and Subsidiary Equity Interests;" provided, however, that such purchase or redemption will be excluded in the calculation of the amount of Restricted Payments;

(4) dividends or other distributions paid to holders of, or redemptions from holders of, Equity Interests within 60 days after the date of declaration thereof, or the giving of formal notice of redemption, if at such date of declaration such dividends or other distributions or redemptions would have complied with this covenant; provided, however, that such dividend, distribution or redemption will be included in the calculation of the amount of Restricted Payments;

(5) payment of dividends, other distributions or other amounts by the Company for the purposes set forth in clauses (A) and (B) below; provided, however, that such dividend, distribution or amount set forth in clause (A) shall be excluded and in clause (B) shall be included in the calculation of the amount of Restricted Payments for the purposes of paragraph (a) above:

(A) to DonJoy in amounts equal to the amounts required for DonJoy to pay franchise taxes and other fees required to maintain its existence and provide for all other operating costs of DonJoy, including, without limitation, in respect of director fees and expenses, administrative, legal and accounting services provided by third parties and other costs and

expenses of being a public company, including, all costs and expenses with respect to filings with the SEC, of up to $500,000 per fiscal year; and

(B) to DonJoy in amounts equal to amounts expended by DonJoy to repurchase Equity Interests of DonJoy owned by officers, directors, consultants and employees or former officers, directors, consultants or employees of DonJoy, the Company or its Subsidiaries or their assigns, estates and heirs; provided, however, that the aggregate amount of dividends, distributions or other amounts to DonJoy pursuant to this clause (B) shall not, in the aggregate, exceed $3.0 million per fiscal year of the Company, up to a maximum aggregate amount of $7.0 million during the term of the indenture;

(6) for so long as the Company is treated as a pass-through entity for United States Federal income tax purposes, Tax Distributions; provided, however, that such Tax Distributions shall be excluded in the calculation of the amount of Restricted Payments;

(7) in the event DonJoy is not treated as a pass-through entity for United States Federal income tax purposes, dividends or distributions to DonJoy in amounts equal to amounts required for DonJoy to pay Federal, state and local income taxes to the extent such income taxes are attributable to the income of the Company and its Restricted Subsidiaries (and, to the extent of amounts actually received from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries); provided, however, that such distributions shall be excluded in the calculation of the amount of Restricted Payments;

(8) the payment of dividends or distributions to DonJoy to fund the payment by DonJoy of dividends on DonJoy's common Equity Interests following the first public offering of common Equity Interests of DonJoy after the Closing Date, of up to 6% per annum of the net proceeds contributed to the Company by DonJoy from such public offering; provided, however, that such dividends or distributions will be included in the calculation of the amount of Restricted Payments; or

(9) dividends or distributions to DonJoy in an amount equal to the purchase price adjustment, if any, which DonJoy is required to pay to Smith & Nephew in connection with the recapitalization pursuant to Article III of the recapitalization agreement as such agreement is in effect on the Closing Date; provided, however, that such distributions shall be excluded in the calculation of the amount of Restricted Payments.

LIMITATION ON RESTRICTIONS ON DISTRIBUTIONS FROM RESTRICTED SUBSIDIARIES. The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Equity Interests or pay any Indebtedness or other obligations owed to the Company;

(2) make any loans or advances to the Company; or

(3) transfer any of its property or assets to the Company, except:

(A) any encumbrance or restriction pursuant to applicable law or any applicable rule, regulation or order, or an agreement in effect at or entered into on the Closing Date;

(B) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement relating to any Equity Interests or Indebtedness of such Restricted Subsidiary, in each case Incurred by such Restricted Subsidiary prior to the date on which such Restricted Subsidiary was acquired by the Company (other than Equity Interests or Indebtedness Incurred as consideration in, in contemplation of, or to provide all or any portion of the funds or credit support utilized to consummate the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was otherwise acquired by the Company) and outstanding on such date;

(C) any encumbrance or restriction pursuant to an agreement effecting a Refinancing of Indebtedness Incurred pursuant to an agreement referred to in clause (A) or (B) of this covenant or this clause (C) or contained in any amendment to an agreement referred to in clause (A) or (B) of this covenant or this clause (C); provided, however, that the encumbrances and restrictions contained in any such Refinancing agreement or amendment are no more restrictive, taken as a whole, than the encumbrances and restrictions contained in such predecessor agreements;

(D) in the case of clause (3), any encumbrance or restriction

(i) that restricts in a customary manner the assignment of any lease, license or similar contract or the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract,

(ii) that is or was created by virtue of any transfer of, agreement to transfer or option or right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture,

(iii) contained in security agreements securing Indebtedness of a Restricted Subsidiary to the extent such encumbrance or restriction restricts the transfer of the property subject to such security agreements, or

(iv) encumbrances or restrictions relating to Indebtedness permitted to be Incurred pursuant to clause (b)(6) of the covenant described under "-- Limitation on Indebtedness" for property acquired in the ordinary course of business that only imposes encumbrances or restrictions on the property so acquired;

(E) with respect to a Restricted Subsidiary, any restriction imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Equity Interests or assets of such Restricted Subsidiary pending the closing of such sale or disposition;

(F) customary provisions in joint venture agreements and other similar agreements entered into in the ordinary course of business; and

(G) net worth provisions in leases and other agreements entered into by the Company or any Restricted Subsidiary in the ordinary course of business.

LIMITATION ON SALES OF ASSETS AND SUBSIDIARY EQUITY INTERESTS. (a) The Company will not, and will not permit any Restricted Subsidiary to, make any Asset Disposition unless:

(1) the Company or such Restricted Subsidiary receives consideration (including by way of relief from, or by any other Person assuming sole responsibility for, any liabilities, contingent or otherwise) at the time of such Asset Disposition at least equal to the fair market value of the Equity Interests and assets subject to such Asset Disposition,

(2) at least 80% of the consideration thereof received by the Company or such Restricted Subsidiary is in the form of

(A) cash or Temporary Cash Investments,

(B) properties and assets to be owned by the Company or any Restricted Subsidiary and used in a Permitted Business, or

(C) Voting Equity Interests in one or more Persons engaged in a Permitted Business that are or thereby become Restricted Subsidiaries of the Company, and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Company (or such Restricted Subsidiary, as the case may be)

(A) FIRST,

(i) to the extent the Company elects (or is required by the terms of any Indebtedness), to prepay, repay, redeem or purchase Senior Indebtedness of the Company or Indebtedness (other than any Disqualified Equity Interests) of a Restricted Subsidiary (in each case other than Indebtedness owed to the Company or an Affiliate of the Company and other than Preferred Equity Interests) or

(ii) to the extent the Company or such Restricted Subsidiary elects, to reinvest in Additional Assets (including by means of an Investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Company or another Restricted Subsidiary or the application by the Company of the Net Available Cash received by a Restricted Subsidiary of the Company),

in each case within 320 days from the later of such Asset Disposition or the receipt of such Net Available Cash, provided that pending the final application of any such Net Available Cash, the Company and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such

Net Available Cash in any manner not prohibited by the indenture;

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(B) SECOND, within 365 days from the later of such Asset Disposition or the receipt of such Net Available Cash, to the extent of the balance of such Net Available Cash after such application in accordance with clause (A), to make an Offer (as defined below) to purchase notes pursuant to and subject to the conditions set forth in section (b) of this covenant; provided, however, that if the Company elects (or is required by the terms of any other Senior Subordinated Indebtedness), such Offer may be made ratably to purchase the notes and other Senior Subordinated Indebtedness of the Company; and

(C) THIRD, to the extent of the balance of such Net Available Cash after application in accordance with clauses (A) (other than the proviso thereof) and (B), for any general corporate purpose not restricted by the terms of the indenture;

provided, however that in connection with any prepayment, repayment or purchase of Indebtedness pursuant to clause (A) or (B) above, the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased.

Notwithstanding the foregoing provisions of this covenant, the Company and the Restricted Subsidiaries will not be required to apply any Net Available Cash in accordance with this covenant except to the extent that the aggregate Net Available Cash from all Asset Dispositions that is not applied in accordance with this covenant exceeds $5.0 million.

For the purposes of this covenant, the following are deemed to be cash:

- the assumption of any liabilities of the Company (other than Disqualified Equity Interests of the Company) or any Restricted Subsidiary and the release of the Company or such Restricted Subsidiary from all liability on such liabilities in connection with such Asset Disposition, and

- securities received by the Company or any Restricted Subsidiary from the transferee that are promptly converted by the Company or such Restricted Subsidiary into cash.

(b) In the event of an Asset Disposition that requires the purchase of notes (and other Senior Subordinated Indebtedness) pursuant to clause (a)(3)(B) of this covenant, the Issuers will be required to purchase notes (and other Senior Subordinated Indebtedness) tendered pursuant to an offer by the Issuers for the notes (and other Senior Subordinated Indebtedness) (the "Offer") at a purchase price of 100% of their principal amount plus accrued and unpaid interest and liquidated damages thereon, if any, to the date of purchase in accordance with the procedures (including prorating in the event of oversubscription), set forth in the indenture. If the aggregate purchase price of notes (and other Senior Subordinated Indebtedness) tendered pursuant to the Offer is less than the Net Available Cash allotted to the purchase of the notes (and other Senior Subordinated Indebtedness), the Company may apply the remaining Net Available Cash for any general corporate purpose not restricted by the terms of the Indenture. The Issuers will not be required to make an Offer for notes (and other Senior

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Subordinated Indebtedness) pursuant to this covenant if the Net Available Cash available therefor (after application of the proceeds as provided in clause (a)(3)(A)) is less than $5.0 million for any particular Asset Disposition (which lesser amount will be carried forward for purposes of determining whether an Offer is required with respect to the Net Available Cash from any subsequent Asset Disposition). Upon completion of the Offer, the amount of Net Available Cash shall be reduced to zero.

(c) The Issuers will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuers will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue thereof.

LIMITATION ON TRANSACTIONS WITH AFFILIATES. (a) The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company

(an "Affiliate Transaction") unless such transaction is on terms:

(1) that are no less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained at the time of such transaction in arm's-length dealings with a Person who is not such an Affiliate,

(2) that, in the event such Affiliate Transaction involves an aggregate amount in excess of $1.0 million,

(A) are set forth in writing, and

(B) except as provided in clause (a)(3) below, have been approved by a majority of the members of the Governing Board having no personal stake in such Affiliate Transaction (if any such members exist), and

(3) that, in the event

(A) such Affiliate Transaction involves an amount in excess of $5.0 million, or

(B) if there are no members of the Governing Board having no personal stake in such Affiliate Transaction and such Affiliate Transaction involves an aggregate amount in excess of $1.0 million,

have been determined by a nationally recognized appraisal, accounting or investment banking firm to be fair, from a financial standpoint, to the Company and its Restricted Subsidiaries.

(b) The provisions of the foregoing paragraph (a) will not prohibit:

(1) any Restricted Payment permitted to be paid pursuant to the covenant described under "-- Limitation on Restricted Payments,"

(2) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, options to purchase Equity Interests of DonJoy or the Company and equity ownership or participation plans approved by the Governing Board,

(3) the grant of options (and the exercise thereof) to purchase Equity Interests of DonJoy or the Company or similar rights to employees and directors of DonJoy or the Company pursuant to plans approved by the Governing Board,

(4) loans or advances to officers, directors or employees in the ordinary course of business, but in any event not to exceed $1.5 million in the aggregate outstanding at any one time,

(5) the payment of reasonable fees to directors of DonJoy or the Company and its Subsidiaries who are not employees of DonJoy or the Company or its Subsidiaries and other reasonable fees, compensation, benefits and indemnities paid or entered into by the Company or its Restricted Subsidiaries in the ordinary course of business to or with the officers, directors or employees of the Company and its Restricted Subsidiaries,

(6) any transaction between the Company and a Restricted Subsidiary or between Restricted Subsidiaries,

(7) the provision by Persons who may be deemed Affiliates or stockholders of the Company (other than Chase Capital Partners and Persons controlled by Chase Capital Partners) of investment banking, commercial banking, trust, lending or financing, investment, underwriting, placement agent, financial advisory or similar services to the Company or its Subsidiaries,

(8) sales of Equity Interests to Permitted Holders approved by a majority of the members of the Governing Board who do not have a material direct or indirect financial interest in or with respect to the transaction being considered,

(9) (A) the existence or performance by the Company or any Restricted Subsidiary under any agreement as in effect as of the Closing Date or any amendment thereto or replacement agreement therefor or any transaction contemplated thereby (including pursuant to any amendment thereto or replacement agreement therefor) so long as such amendment or replacement is not more disadvantageous to the Holders of the notes in any material respect than the original agreement as in effect on the Closing Date, and

(B) the execution, delivery and performance of the contemplated

agreement among the Company, DonJoy and Charles T. Orsatti described in this prospectus under the heading "Management -- Compensation of Board of Managers"; provided that the amount payable to Mr. Orsatti pursuant to such agreement shall not exceed $250,000 per year,

(10) any tax sharing agreement or payments pursuant thereto among the Company and its Subsidiaries and any other Person with which the Company or its Subsidiaries is required or permitted to file a consolidated tax return or with which the Company or any of its Restricted Subsidiaries is or could be part of a consolidated group for tax purposes, which payments are not in

excess of the tax liabilities attributable solely to the Company and its Restricted Subsidiaries (as a consolidated group),or

(11) any contribution to the capital of the Company by DonJoy or any purchase of Equity Interests of the Company by DonJoy.

SEC REPORTS. Notwithstanding that the Issuers may not be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company will file with the SEC (if permitted by SEC practice and applicable law and regulations) and provide the Trustee and Holders and prospective Holders (upon request) within 15 days after it files them with the SEC (or if not permitted, within 15 days after it would have otherwise been required to file them with the SEC), copies of the Company's or DonJoy's annual report and the information, documents and other reports that are specified in Sections 13 and 15(d) of the Exchange Act. In addition, following an Equity Offering, the Issuers shall furnish to the Trustee and the Holders, promptly upon their becoming available, copies of the annual report to equity holders and any other information provided by the Company or DonJoy to its public equity holders generally. The Issuers also will comply with the other provisions of Section 314(a) of the TIA.

FUTURE NOTE GUARANTORS. The Company will cause each Domestic Subsidiary to become a Note Guarantor, and, if applicable, execute and deliver to the Trustee a supplemental indenture in the form set forth in the indenture pursuant to which such Domestic Subsidiary will Guarantee payment of the Notes. Each Note Guarantee will be limited to an amount not to exceed the maximum amount that can be Guaranteed by that Domestic Subsidiary without rendering the Note Guarantee, as it relates to such Domestic Subsidiary, void or voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

LIMITATION ON LINES OF BUSINESS. The Company will not, and will not permit any Restricted Subsidiary to, engage in any business, other than a Permitted Business.

LIMITATION ON THE CONDUCT OF BUSINESS OF DJ CAPITAL. DJ Capital will not conduct any business or other activities, own any property, enter into any agreements or Incur any Indebtedness or other liabilities, other than in connection with serving as an Issuer and obligor with respect to the notes and its guarantee in respect of the new credit facility.

MERGER AND CONSOLIDATION

Neither the Company nor DJ Capital will consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person; provided, however, that the Company may consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person if:

(1) the resulting, surviving or transferee Person (the "Successor Company") will be a corporation, partnership or limited liability company organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and the Successor Company (if not the Company) will expressly assume, by a supplemental indenture, executed

and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Company under the notes and the indenture;

(2) immediately after giving effect to such transaction (and treating any Indebtedness which becomes an obligation of the Successor Company or any Restricted Subsidiary as a result of such transaction as having been Incurred by the Successor Company or such Restricted Subsidiary at the time of such transaction), no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, the Successor Company would be able to Incur an additional $1.00 of Indebtedness under paragraph (a) of the covenant described under "--Limitation on

Indebtedness"; and

(4) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture, but the predecessor Company in the case of a conveyance, transfer or lease of all or substantially all its assets will not be released from the obligation to pay the principal of and interest on the notes.

In addition, the Company will not permit any Note Guarantor (other than DonJoy) to consolidate with or merge with or into, or convey, transfer or lease all or substantially all of its assets to any Person unless:

(1) the resulting, surviving or transferee Person will be a corporation, partnership or limited liability company organized and existing under the laws of the United States of America, any State thereof or the District of Columbia, and such Person (if not such Note Guarantor) will expressly assume, by a supplemental indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of such Note Guarantor under its Note Guarantee;

(2) immediately after giving effect to such transaction (and treating any Indebtedness which becomes an obligation of the resulting, surviving or transferee Person as a result of such transaction as having been Incurred by such Person at the time of such transaction), no Default shall have occurred and be continuing; and

(3) the Company will have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture.

Notwithstanding any of the foregoing:

(A) any Restricted Subsidiary (other than DJ Capital) may consolidate with, merge into or transfer all or part of its properties and assets to the Company or a Subsidiary that is a Note Guarantor, and

(B) the Company may merge with an Affiliate incorporated solely for

- the purpose of incorporating the Company or

- organizing the Company in another jurisdiction to realize tax or other benefits.

DEFAULTS

Each of the following is an Event of Default:

(1) a default in any payment of interest or liquidated damages on any note when due and payable, whether or not prohibited by the provisions described under "Ranking" above, continued for 30 days,

(2) a default in the payment of principal of any note when due and payable at its Stated Maturity, upon required redemption or repurchase, upon declaration or otherwise, whether or not such payment is prohibited by the provisions described under "Ranking" above,

(3) the failure by either Issuer to comply with its obligations under the covenant described under "Merger and Consolidation" above,

(4) the failure by either Issuer to comply for 30 days after written notice (specifying the default and demanding that the same be remedied) with any of its obligations under the covenants described under "Change of Control" or "Certain Covenants" above (in each case, other than a failure to purchase notes),

(5) the failure by either Issuer or any Note Guarantor to comply for 60 days after written notice (specifying the default and demanding that the same be remedied) with its other agreements contained in the notes or the indenture,

(6) the failure by either Issuer or any Restricted Subsidiary of the Company to pay any Indebtedness within any applicable grace period after final maturity or the acceleration of any such Indebtedness by the holders thereof because of a default if the total amount of such Indebtedness unpaid or accelerated exceeds $10.0 million or its foreign currency

equivalent (the "cross acceleration provision") and such failure continues for 10 days after receipt of the notice specified in the indenture,

(7) certain events of bankruptcy, insolvency or reorganization of either Issuer or a Significant Subsidiary (the "bankruptcy provisions"),

(8) the rendering of any judgment or decree for the payment of money in excess of $10.0 million (net of any amounts with respect to which a reputable and creditworthy insurance company has acknowledged liability in writing) or its foreign currency equivalent against the Company, DJ Capital or a Restricted Subsidiary of the Company if:

(A) an enforcement proceeding thereon is commenced by any creditor or

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(B) such judgment or decree remains outstanding for a period of 60 days following such judgment and is not discharged, waived or stayed (the "judgment default provision"), or

(9) any Note Guarantee ceases to be in full force and effect (except as contemplated by the terms thereof) or any Note Guarantor or Person acting by or on behalf of such Note Guarantor denies or disaffirms such Note Guarantor's obligations under the Indenture or any Note Guarantee and such Default continues for 10 days after receipt of the notice specified in the indenture.

The foregoing will constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is 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.

However, a default under clauses (4), (5), (6) or (9) will not constitute an Event of Default until the Trustee or the Holders of at least 25% in principal amount of the outstanding notes notify the Issuers of the default and the Issuers do not cure such default within the time specified in clauses (4), (5), (6) or (9) after receipt of such notice.

If an Event of Default (other than an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the Company or DJ Capital) occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the outstanding notes by written notice to the Issuers and the Trustee specifying the Event of Default and that it is a "notice of acceleration" may declare the principal of and accrued but unpaid interest and liquidated damages on all the notes to be due and payable. Upon such a declaration, such principal and interest and liquidated damages will be due and payable immediately. If an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the Company or DJ Capital occurs, the principal of and interest and liquidated damages on all the notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. Under certain circumstances, the Holders of a majority in principal amount of the outstanding notes may rescind any such acceleration with respect to the notes and its consequences.

Subject to the provisions of the indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee reasonable indemnity or security against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no Holder may pursue any remedy with respect to the indenture or the notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing,

(2) Holders of at least 25% in principal amount of the outstanding notes have requested the Trustee in writing to pursue the remedy,

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(3) such Holders have offered the Trustee reasonable security or indemnity against any loss, liability or expense,

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity and

(5) the Holders of a majority in principal amount of the outstanding notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding notes will be given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

If a Default occurs and is continuing and is known to the Trustee, the Trustee must mail to each Holder notice of the Default within the earlier of 90 days after it occurs or 30 days after it is known to a Trust Officer or written notice of it is received by the Trustee. Except in the case of a Default in the payment of principal of, premium (if any) or interest on any note (including payments pursuant to the redemption provisions of such note), the Trustee may withhold notice if and so long as a committee of its Trust Officers in good faith determines that withholding notice is in the interests of the Holders. In addition, the Issuers will be required to deliver to the Trustee, within 120 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuers will also be required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any event which would constitute certain Events of Default, their status and what action the Issuers are taking or propose to take in respect thereof.

AMENDMENTS AND WAIVERS

Subject to certain exceptions, the indenture or the notes may be amended with the written consent of the Holders of a majority in principal amount of the notes then outstanding and any past default or compliance with any provisions may be waived with the consent of the Holders of a majority in principal amount of the notes then outstanding. However, without the consent of each Holder of an outstanding note affected, no amendment may, among other things:

(1) reduce the amount of notes whose Holders must consent to an amendment,

(2) reduce the rate of or extend the time for payment of interest or any liquidated damages on any note,

(3) reduce the principal of or extend the Stated Maturity of any note,

(4) reduce the premium payable upon the redemption of any note or change the time at which any note may be redeemed as described under "Optional Redemption" above,

(5) make any note payable in money other than that stated in the note,

(6) make any change to the subordination provisions of the Indenture that adversely affects the rights of any Holder,

(7) impair the right of any Holder to receive payment of principal of, and interest or any liquidated damages on, such Holder's notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's notes,

(8) make any change in the amendment provisions which require each Holder's consent or in the waiver provisions or

(9) modify the Note Guarantees in any manner adverse to the Holders.

Without the consent of any Holder, the Issuers and Trustee may amend the indenture to:

(1) cure any ambiguity, omission, defect or inconsistency,

(2) provide for the assumption by a successor corporation of the obligations of the Company under the Indenture,

(3) provide for uncertificated notes in addition to or in place of certificated notes (provided that the uncertificated notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated notes are described in Section 163(f)(2)(B) of the Code),

(4) make any change in the subordination provisions of the indenture that would limit or terminate the benefits available to any holder of Senior Indebtedness of the Company or DJ Capital (or any representative

thereof) under such subordination provisions,

(5) add additional Guarantees with respect to the notes,

(6) secure the notes,

(7) add to the covenants of the Issuers for the benefit of the Holders or to surrender any right or power conferred upon the Issuers,

(8) make any change that does not materially and adversely affect the rights of any Holder, subject to the provisions of the indenture,

(9) provide for the issuance of the new notes, or

(10) comply with any requirement of the SEC in connection with the qualification of the indenture under the TIA.

However, no amendment may be made to the subordination provisions of the indenture that adversely affects the rights of any holder of Senior Indebtedness of the Company, DJ Capital or any Note Guarantor then outstanding unless the

holders of such Senior Indebtedness (or any group or representative thereof authorized to give a consent) consent to such change.

The consent of the Holders will not be necessary to approve the particular form of any proposed amendment. It will be sufficient if such consent approves the substance of the proposed amendment.

After an amendment becomes effective, the Issuers are required to mail to Holders a notice briefly describing such amendment. However, the failure to give such notice to all Holders, or any defect therein, will not impair or affect the validity of the amendment.

TRANSFER AND EXCHANGE

Subject to compliance with the restrictions on transfer and exchange set forth in the Indenture, a Holder will be able to transfer or exchange notes. Upon any transfer or exchange, the registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuers may require a Holder to pay any taxes required by law or permitted by the Indenture. The Issuers will not be required to transfer or exchange any note selected for redemption or to transfer or exchange any note for a period of 15 days prior to a selection of notes to be redeemed. The notes will be issued in registered form and the Holder will be treated as the owner of such note for all purposes.

DEFEASANCE

The Issuers may at any time terminate all their obligations under the notes and the indenture ("legal defeasance"), except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain a registrar and paying agent in respect of the notes. In addition, the Issuers may at any time terminate:

(1) their obligations under the covenants described under "Change of Control" and "Certain Covenants",

(2) the operation of the cross acceleration provision, the bankruptcy provisions with respect to Significant Subsidiaries, the judgment default provision and the Note Guarantee provision described under "Defaults" above and the limitations contained in clauses (3) under the first paragraph of "Merger and Consolidation" above ("covenant defeasance").

In the event that the Issuers exercise their legal defeasance option or their covenant defeasance option, each Note Guarantor will be released from all of its obligations with respect to its Note Guarantee.

The Issuers may exercise their legal defeasance option notwithstanding their prior exercise of their covenant defeasance option. If the Issuers exercise their legal defeasance option, payment of the notes may not be accelerated because of an Event of Default with respect thereto. If the Issuers exercise their covenant defeasance option, payment of the notes may not be accelerated because of an Event of Default specified in clause (4), (6), (7) (with respect to Significant

Subsidiaries only), (8) or (9) under "Defaults" above or because of the failure

of the Issuers to comply with clause (3) under the first paragraph of "Merger and Consolidation" above.

In order to exercise either defeasance option, the Issuers must irrevocably deposit in trust (the "defeasance trust") with the Trustee money or U.S. Government Obligations for the payment of principal, premium (if any) and interest on the notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of an Opinion of Counsel to the effect that Holders will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit and defeasance and will be subject to Federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and, in the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the Internal Revenue Service or other change in applicable Federal income tax law).

CONCERNING THE TRUSTEE

The Bank of New York is to be the Trustee under the indenture and has been appointed by the Issuers as Registrar and Paying Agent with regard to the notes.

GOVERNING LAW

The indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby.

CERTAIN DEFINITIONS

"Additional Assets" means:

(1) any property or assets (other than Indebtedness and Equity Interests) to be used by the Company or a Restricted Subsidiary in a Permitted Business or any improvements to any property or assets that are used by the Company or a Restricted Subsidiary in a Permitted Business;

(2) Equity Interests of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Equity Interests by the Company or another Restricted Subsidiary; or

(3) Equity Interests constituting a minority interest in any Person that at such time is a Restricted Subsidiary;

provided, however, that any such Restricted Subsidiary described in clauses (2) or (3) above is primarily engaged in a Permitted Business.

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of

voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. For purposes of the provisions described under "-- Certain Covenants -- Limitation on Transactions with Affiliates" and "-- Certain Covenants -- Limitation on Sales of Assets and Subsidiary Equity Interests" only, "Affiliate" shall also mean any beneficial owner of Equity Interests representing 5% or more of the total voting power of the Voting Equity Interests (on a fully diluted basis) of DonJoy (or any other direct or indirect parent company of the Company) or the Company or of rights or warrants to purchase such Voting Equity Interests (whether or not currently exercisable) and any Person who would be an Affiliate of any such beneficial owner pursuant to the first sentence hereof.

"Asset Disposition" means any sale, lease (other than an operating lease entered into in the ordinary course of business), transfer or other disposition (or series of related sales, leases, transfers or dispositions) by the Company or any Restricted Subsidiary, including any disposition by means of a merger, consolidation, or similar transaction (each referred to for the purposes of this definition as a "disposition"), of:

(1) any Equity Interests of a Restricted Subsidiary (other than directors' qualifying Equity Interests or Equity Interests required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary),

(2) all or substantially all the assets of any division or line of business of the Company or any Restricted Subsidiary or

(3) any other assets of the Company or any Restricted Subsidiary outside of the ordinary course of business of the Company or such Restricted Subsidiary

other than, in the case of (1), (2) and (3) above,

(A) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Wholly Owned Subsidiary,

(B) for purposes of the provisions described under "-- Certain Covenants -- Limitation on Sales of Assets and Subsidiary Equity Interests" only, the making of a Permitted Investment or a disposition subject to the covenant described under "-- Certain Covenants -- Limitation on Restricted Payments",

(C) a disposition of obsolete or worn out property or equipment or property or equipment that is no longer useful in the conduct of business of the Company and its Restricted Subsidiaries, and

(D) any other disposition of assets with a fair market value, as conclusively determined by senior management of the Company in good faith, of less than $500,000.

"Attributable Debt" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate borne by the notes, compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

"Average Life" means, as of the date of determination, with respect to any Indebtedness or Preferred Equity Interests, the quotient obtained by dividing:

(1) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Preferred Equity Interests multiplied by the amount of such payment by

(2) the sum of all such payments.

"Bank Indebtedness" means any and all amounts payable under or in respect of the Credit Agreement and any Refinancing Indebtedness with respect thereto, as amended from time to time, including principal, premium (if any), interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company whether or not a claim for post-filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, guarantees and all other amounts payable thereunder or in respect thereof.

"Business Day" means each day which is not a Legal Holiday.

"Capitalized Lease Obligations" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation determined in accordance with GAAP; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"Closing Date" means the date of the indenture.

"Code" means the Internal Revenue Code of 1986, as amended.

"Consolidated Coverage Ratio" as of any date of determination means the ratio of:

(1) the aggregate amount of EBITDA for the period of the most recent four consecutive fiscal quarters for which financial statements are publicly available ending prior to the date of such determination to

(2) Consolidated Interest Expense for such four fiscal quarters;

provided, however, that:

(A) if the Company or any Restricted Subsidiary has Incurred any Indebtedness since the beginning of such period that remains outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect on a pro forma basis to such

Indebtedness as if such Indebtedness had been Incurred on the first day of such period and the discharge of any other Indebtedness repaid, repurchased, defeased or otherwise discharged with the proceeds of such

new Indebtedness as if such discharge had occurred on the first day of such period,

(B) if the Company or any Restricted Subsidiary has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such period or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Consolidated Coverage Ratio, EBITDA and Consolidated Interest Expense for such period shall be calculated on a pro forma basis as if such discharge had occurred on the first day of such period and as if the Company or such Restricted Subsidiary has not earned the interest income actually earned during such period in respect of cash or Temporary Cash Investments used to repay, repurchase, defease or otherwise discharge such Indebtedness,

(C) if since the beginning of such period the Company or any Restricted Subsidiary shall have made any Asset Disposition, the EBITDA for such period shall be reduced by an amount equal to the EBITDA (if positive) directly attributable to the assets that are the subject of such Asset Disposition for such period or increased by an amount equal to the EBITDA (if negative) directly attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Company or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Company and its continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Equity Interests of any Restricted Subsidiary are sold, the Consolidated Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Company and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale),

(D) if since the beginning of such period the Company or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person that becomes a Restricted Subsidiary or is merged with and into the Company) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period, and

(E) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to

clause (C) or (D) above if made by the Company or a Restricted Subsidiary during such period, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto as if such Asset Disposition, Investment or acquisition of assets occurred on the first day of such period.

For purposes of this definition, whenever pro forma effect is to be given to an Investment or acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness Incurred in connection therewith, the pro forma calculations shall be determined in good faith by a responsible financial or accounting Officer of the Company. Any such pro forma calculations may include operating expense reductions for such period resulting from the acquisition which is being given pro forma effect that

(a) would be permitted pursuant to Article XI of Regulation S-X under the Securities Act or

(b) have been realized or for which the steps necessary for realization

have been taken or are reasonably expected to be taken within six months following any such acquisition, including, but not limited to, the execution or termination of any contracts, the termination of any personnel or the closing (or approval by the Governing Board of any closing) of any facility, as applicable,

provided that, such adjustments are set forth in an Officers' Certificate signed by the Company's chief financial officer and another Officer which states

- the amount of such adjustment or adjustments,

- that such adjustment or adjustments are based on the reasonable good faith beliefs of the officers executing such Officers' Certificate at the time of such execution and

- that any related Incurrence of Indebtedness is permitted pursuant to the Indenture.

In addition, to the extent not covered by the foregoing, if the Transactions have occurred in the four quarter period used to determine the Consolidated Coverage Ratio, then the Consolidated Coverage Ratio shall be determined giving pro forma effect on the basis given in the offering memorandum dated June 17, 1999 used in connection with the private offering of the old notes to the Transactions, with all calculations relating thereto to be made at the date of determination by the Company's chief financial officer, and set forth in an Officer's Certificate signed by the chief financial officer and another Officer and meeting the requirements for the Officer's Certificate described in the preceding sentence.

If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement or Currency Agreement applicable to such Indebtedness if such Interest Rate Agreement or Currency Agreement has a remaining term as at the date of determination in excess of 12 months).

"Consolidated Interest Expense" means, for any period, the total interest expense of the Company and its Consolidated Restricted Subsidiaries (excluding amortization and write-off of debt issuance costs) plus, to the extent Incurred by the Company and its Restricted Subsidiaries in such period but not included in such interest expense:

(1) interest expense attributable to Capitalized Lease Obligations and the interest expense attributable to leases constituting part of a Sale/Leaseback Transaction,

(2) amortization of debt discount,

(3) capitalized interest,

(4) non-cash interest expense,

(5) commissions, discounts and other fees and charges attributable to letters of credit and bankers' acceptance financing,

(6) interest accruing on any Indebtedness of any other Person to the extent such Indebtedness is Guaranteed by the Company or any Restricted Subsidiary,

(7) net costs associated with Hedging Obligations (including amortization of fees),

(8) dividends and distributions in respect of all Disqualified Equity Interests of the Company and all Preferred Equity Interests of any of the Subsidiaries of the Company, to the extent held by Persons other than the Company or a Wholly Owned Subsidiary,

(9) interest Incurred in connection with investments in discontinued operations and

(10) the cash contributions to any employee equity ownership or participation plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Company) in connection with Indebtedness Incurred by such plan or trust.

Notwithstanding anything to the contrary contained herein, commissions, discounts, yield and other fees and charges Incurred in connection with any transaction pursuant to which the Company or any Subsidiary of the Company may sell, convey or otherwise transfer or grant a security interest in any accounts

receivable or related assets shall be included in Consolidated Interest Expense.

"Consolidated Net Income" means, for any period, the net income (loss) of the Company and its Consolidated Subsidiaries for such period; provided, however, that there shall not be included in such Consolidated Net Income:

(1) any net income (loss) of any Person (other than the Company) if such Person is not a Restricted Subsidiary, except that:

(A) subject to the limitations contained in clause (4), (5) and (6) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to

the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution made to a Restricted Subsidiary, to the limitations contained in clause (3) below) and

(B) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent such loss has been funded with cash from the Company or a Restricted Subsidiary;

(2) other than for purposes of clauses (D) and (E) of the definition of Consolidated Coverage Ratio, any net income (or loss) of any Person acquired by the Company or a Subsidiary in a pooling of interests transaction for any period prior to the date of such acquisition;

(3) any net income (or loss) of any Restricted Subsidiary if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions or loans or intercompany advances by such Restricted Subsidiary, directly or indirectly, to the Company, except that:

(A) subject to the limitations contained in clause (4), (5) and (6) below, the Company's equity in the net income of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed, loaned or advanced by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend, distribution, loan or advance (subject, in the case of a dividend, distribution, loan or advance made to another Restricted Subsidiary, to the limitation contained in this clause) and

(B) the Company's equity in a net loss of any such Restricted Subsidiary for such period shall be included in determining such Consolidated Net Income;

(4) any gain (loss) realized upon the sale or other disposition of any asset of the Company or its Consolidated Subsidiaries (including pursuant to any Sale/Leaseback Transaction) that is not sold or otherwise disposed of in the ordinary course of business and any gain (loss) realized upon the sale or other disposition of any Equity Interests of any Person;

(5) any extraordinary gain or loss; and

(6) the cumulative effect of a change in accounting principles.

Notwithstanding the foregoing, for the purpose of the covenant described under "-- Certain Covenants -- Limitation on Restricted Payments" only, there shall be excluded from Consolidated Net Income any dividends, repayments of loans or advances or other transfers of assets from Unrestricted Subsidiaries to the Company or a Restricted Subsidiary to the extent such dividends, repayments or transfers increase the amount of Restricted Payments permitted under such covenant pursuant to clause (a)(4)(C)(v) thereof.

"Consolidation" means the consolidation of the amounts of each of the Restricted Subsidiaries with those of the Company in accordance with GAAP consistently applied; provided, however, that "Consolidation" will not include consolidation of the accounts of any Unrestricted Subsidiary, but the interest of the Company or any Restricted Subsidiary in an Unrestricted Subsidiary will be accounted for as an investment. The term "Consolidated" has a correlative meaning.

"Credit Agreement" means the credit agreement dated as of the Closing Date among the Company, DonJoy, the lenders named therein, First Union National Bank,

as administrative agent and collateral agent, and The Chase Manhattan Bank, as syndication agent, in each case as amended, modified, supplemented, restated, renewed, refunded, replaced, restructured, repaid or refinanced from time to time (including any agreement extending the maturity thereof or increasing the amount of available borrowings thereunder or adding Restricted Subsidiaries of the Company as additional borrowers or guarantors thereunder) whether with the original agents and lenders or otherwise and whether provided under the original credit agreement or other credit agreements or otherwise.

"Currency Agreement" means with respect to any Person any foreign exchange contract, currency swap agreements or other similar agreement or arrangement to which such Person is a party or of which it is a beneficiary.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Designated Senior Indebtedness" of the Company means

(1) the Bank Indebtedness and

(2) any other Senior Indebtedness of the Company that, at the date of determination, has an aggregate principal amount outstanding of, or under which, at the date of determination, the holders thereof are committed to lend up to at least $15.0 million and is specifically designated by the Company in the instrument evidencing or governing such Senior Indebtedness as "Designated Senior Indebtedness" for purposes of the indenture.

"Designated Senior Indebtedness" of DJ Capital or a Note Guarantor has a correlative meaning.

"Disqualified Equity Interest" means, with respect to any Person, any Equity Interest of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable or exercisable) or upon the happening of any event:

(1) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise,

(2) is convertible or exchangeable for Indebtedness or Disqualified Equity Interests (excluding Equity Interests convertible or exchangeable solely at the option of the Company or a Restricted Subsidiary, provided, that any such conversion or exchange shall be deemed an issuance of Indebtedness or an issuance of Disqualified Equity Interests, as applicable) or

(3) is redeemable at the option of the holder thereof, in whole or in part,

in each case on or prior to 91 days after the Stated Maturity of the notes; provided, however, that only the portion of the Equity Interests which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed Disqualified Equity Interests; provided, further, any Equity Interests that would not constitute Disqualified Equity Interests but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Equity Interests upon the occurrence of an "asset sale" or "change of control" shall not constitute Disqualified Equity Interests if the "asset sale" or "change of control" provisions applicable to such Equity Interests provide that such Person may not repurchase or redeem such Equity Interests pursuant to such provisions unless such Person has first complied with the provisions described under "Change of Control" and the provisions of the covenant described under "-- Certain Covenants -- Limitation on Sales of Assets and Subsidiary Equity Interests", as applicable; and provided, further that any class of Equity Interests of such Person that, by its terms, authorizes such Person to satisfy in full its obligations with respect to payment of dividends or upon maturity, redemption (pursuant to a sinking fund or otherwise) or repurchase thereof or other payment obligations or otherwise by delivery of Equity Interests that are not Disqualified Equity Interests, and that is not convertible, puttable or exchangeable for Disqualified Equity Interests or Indebtedness, shall not be deemed Disqualified Equity Interests so long as such Person satisfies its obligations with respect thereto solely by the delivery of Equity Interests that are not Disqualified Equity Interests.

"Domestic Subsidiary" means any Restricted Subsidiary of the Company other than a Foreign Subsidiary.

"EBITDA" for any period means the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) income tax expense of the Company and its Consolidated Restricted

Subsidiaries,

(2) Consolidated Interest Expense,

(3) depreciation expense of the Company and its Consolidated Restricted Subsidiaries,

(4) amortization expense of the Company and its Consolidated Restricted Subsidiaries (excluding amortization expense attributable to a prepaid cash item that was paid in a prior period), and

(5) other non-cash charges of the Company and its Consolidated Restricted Subsidiaries (excluding any such non-cash charge to the extent it represents an accrual of or reserve for cash expenditures in any future period).

Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortization and non-cash charges of, a Restricted Subsidiary of the Company shall be added to Consolidated Net Income to compute EBITDA only to the extent (and in the same proportion) that the net

income (loss) of such Restricted Subsidiary was included in calculating Consolidated Net Income and only if a corresponding amount would be permitted at the date of determination to be dividended, loaned or advanced to the Company by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to such Restricted Subsidiary or its equity holders.

"Equity Interest" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Equity Interests, but excluding any debt securities convertible into such equity.

"Equity Offering" means any public or private sale of common Equity Interests of the Company or DonJoy, as applicable, other than public offerings with respect to the Company's or DonJoy's common Equity Interests registered on Form S-8 or other issuances upon exercise of options by employees of the Company or any of its Restricted Subsidiaries.

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

"Existing Management Stockholders" means each of Leslie H. Cross, Cyril Talbot III and Michael McBrayer.

"Foreign Subsidiary" means any Restricted Subsidiary of the Company that is not organized under the laws of the United States of America or any State thereof or the District of Columbia.

"GAAP" means generally accepted accounting principles in the United States of America as in effect as of the Closing Date, including those set forth in:

(1) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants,

(2) statements and pronouncements of the Financial Accounting Standards Board,

(3) such other statements by such other entities as are approved by a significant segment of the accounting profession, and

(4) the rules and regulations of the SEC governing the inclusion of financial statements (including pro forma financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC.

All ratios and computations based on GAAP contained in the indenture shall be computed in conformity with GAAP.

"Governing Board" of the Company or any other Person means, (i) the managing member or members or any controlling committee of members of the Company or such Person, for so long as the Company or such Person is a limited liability company, (ii) the board of directors of the Company or such Person, if the Company or such Person is a corporation or (iii) any similar governing body.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

provided, however, that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning. The term "Guarantor" shall mean any Person Guaranteeing any obligation.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

"Holder" means the Person in whose name a note is registered on the Registrar's books.

"Income Tax Liabilities" means an amount determined by multiplying

(a)(1) all taxable income and gains of the Company for such calendar year (the "Taxable Amount") minus

(2) an amount (not to exceed the Taxable Amount for such calendar year) equal to all losses of the Company in any of the three prior calendar years that have not been previously subtracted pursuant to this clause (2) from the Taxable Amount for any prior year by

(b) forty-four percent (44%).

"Incur" means issue, assume, Guarantee, incur or otherwise become liable for; provided, however, that any Indebtedness or Equity Interests of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time it becomes a Subsidiary. The term "Incurrence" when used as a noun shall have a correlative meaning.

"Indebtedness" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of and premium (if any) in respect of indebtedness of such Person for borrowed money;

(2) the principal of and premium (if any) in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto);

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services (except Trade Payables and other accrued liabilities arising in the ordinary course of business which are not overdue), which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto or the completion of such services;

(5) all Capitalized Lease Obligations and all Attributable Debt of such Person;

(6) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Equity Interests or, with respect to any Subsidiary of such Person, any Preferred Equity Interests (but excluding, in each case, any accrued dividends);

(7) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided, however, that the amount of Indebtedness of such Person shall be the lesser of:

(A) the fair market value of such asset at such date of determination and

(B) the amount of such Indebtedness of such other Persons;

(8) to the extent not otherwise included in this definition, the net obligations under Hedging Obligations of such Person;

(9) to the extent not otherwise included, the amount then outstanding (i.e., advanced, and received by, and available for use by, such Person) under any receivables financing (as set forth in the books and records of such Person and confirmed by the agent, trustee or other representative of the institution or group providing such receivables financing); and

(10) all obligations of the type referred to in clauses (1) through (9) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Guarantee.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

"Interest Rate Agreement" means with respect to any Person any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary.

"Investment" in any Person means any direct or indirect advance, loan (other than advances to customers in the ordinary course of business that are recorded

as accounts receivable on the balance sheet of the lender) or other extension of credit (including by way of Guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Equity Interests, Indebtedness or other similar instruments issued by such Person. For purposes of the definition of "Unrestricted Subsidiary" and the covenant described under "-- Certain Covenants -- Limitation on Restricted Payments":

(1) "Investment" shall include the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of any Subsidiary of the Company at the time that such Subsidiary is designated an Unrestricted Subsidiary; provided, however, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to:

(A) the Company's "Investment" in such Subsidiary at the time of such redesignation less

(B) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time of such redesignation; and

(2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its fair market value at the time of such transfer,

in each case as determined in good faith by

- the senior management of the Company if the amount thereof is less than $1.0 million and

- the Governing Board if in excess thereof.

"Legal Holiday" means a Saturday, Sunday or other day on which banking institutions in New York State are authorized or required by law to close.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"Members' Agreement" means the Members' Agreement among DonJoy, Chase DJ Partners, LLC, Smith & Nephew, Inc., Leslie H. Cross, Cyril Talbot III and Michael R. McBrayer, as such agreement shall be in effect on the Closing Date and any amendments, modifications, supplements or waivers thereto (collectively, "amendments"), other than any such amendment to the provisions thereof relating to the election or appointment of members of the Governing Board of the Company or DonJoy that are materially adverse to the Holders of the notes.

"Net Available Cash" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the

form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses incurred, and all Federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under GAAP, as a consequence of such Asset Disposition,

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon or other security agreement of any kind with respect to such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition,

(3) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition and

(4) appropriate amounts to be provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the property or other assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

"Net Cash Proceeds", with respect to any issuance or sale of Equity Interests, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees and expenses actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Note Guarantee" means each Guarantee of the obligations with respect to the notes issued by a Person pursuant to the terms of the indenture. Each such Note Guarantee will have subordination provisions equivalent to those contained in the indenture and will be substantially in the form prescribed in the indenture.

"Note Guarantor" means any Person that has issued a Note Guarantee.

"Officer" of either Issuer, as the case may be, means the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the President, any Vice President, the Treasurer or the Secretary of such Issuer.

"Officers' Certificate" of either Issuer, as the case may be, means a certificate signed by two Officers of such Issuer.

"Opinion of Counsel" means a written opinion from legal counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the Company or the Trustee.

"Permitted Business" means the design, manufacture and/or marketing of orthopedic products, devices, accessories or services, other medical products,

devices, accessories or services or any businesses that are reasonably related, ancillary or complementary thereto.

"Permitted Holders" means each of

(1) Chase Capital Partners and its Affiliates,

(2) Chase DJ Partners, LLC and its Affiliates,

(3) First Union Capital Corporation and its Affiliates,

(4) Fairfield Chase Medical Partners, LLC and its Affiliates,

(5) Charles T. Orsatti and his Related Parties,

(6) the Existing Management Stockholders and their Related Parties and

(7) any Person acting in the capacity of an underwriter in connection with a public or private offering of the Company's or DonJoy's Equity Interests.

"Permitted Investment" means an Investment by the Company or any Restricted Subsidiary in:

(1) the Company, a Restricted Subsidiary or a Person that will, upon the making of such Investment, become a Restricted Subsidiary; provided, however, that the primary business of such Restricted Subsidiary is a Permitted Business;

(2) another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary (other than DJ Capital); provided, however, that such Person's primary business is a Permitted Business;

(3) Temporary Cash Investments;

(4) receivables owing to the Company or any Restricted Subsidiary (other than DJ Capital) if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances;

(5) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) loans or advances to officers, directors, consultants or employees made in the ordinary course of business and not exceeding $1.5 million in the aggregate outstanding at any one time;

(7) Equity Interests, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of a debtor;

(8) any Person to the extent such Investment represents the non-cash portion of the consideration received for an Asset Disposition that was made pursuant to and in compliance with the covenant described under "-- Certain Covenants -- Limitation on Sale of Assets and Subsidiary Equity Interests";

(9) Hedging Obligations entered into in the ordinary course of business;

(10) endorsements of negotiable instruments and documents in the ordinary course of business;

(11) assets or Equity Interests of a Person acquired by the Company or a Restricted Subsidiary to the extent the consideration for such acquisition consists of Equity Interests (other than Disqualified Equity Interests) of the Company or DonJoy;

(12) Investments in existence on the Closing Date;

(13) Investments of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary of the Company or at the time such Person merges or consolidates with the Company or any of its Restricted Subsidiaries, in either case in compliance with the Indenture, provided that such Investments were not made by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary of the Company or such merger or consolidation; and

(14) additional Investments having an aggregate fair market value (as determined in good faith by (i) senior management of the Company if such fair market value is less than $1.0 million or (ii) by the Governing Board of the Company if in excess thereof), taken together with all other Investments made pursuant to this clause (14) that are at the time outstanding, not to exceed the greater of 10% of Total Assets or $10.0 million at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value).

"Person" means any individual, corporation, partnership, limited liability

company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Preferred Equity Interests", as applied to the Equity Interests of any Person, means Equity Interests of any class or classes (however designated) that are preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over Equity Interests of any other class of such Person.

"principal" of a note means the principal of the note plus the premium, if any, payable on the note which is due or overdue or is to become due at the relevant time.

"Refinance" means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue other Indebtedness exchange or replacement for, such Indebtedness. "Refinanced" and "Refinancing" shall have correlative meanings.

"Refinancing Indebtedness" means Indebtedness that is Incurred to refund, refinance, replace, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness of the Company or any Restricted Subsidiary existing on the Closing Date or Incurred in compliance with the

indenture (including Indebtedness of the Company or a Restricted Subsidiary that Refinances Refinancing Indebtedness); provided, however, that:

(1) the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced,

(2) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being refinanced,

(3) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) (whether in U.S. dollars or a foreign currency) that is equal to or less than the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) (in U.S. dollars or such foreign currency, as applicable) then outstanding (plus, without duplication, accrued interest, fees and expenses, including premium and defeasance costs) of the Indebtedness being Refinanced and

(4) if the Indebtedness being Refinanced is subordinated in right of payment to the notes or a Note Guarantee of a Note Guarantor, such Refinancing Indebtedness is subordinated in right of payment to the notes or the Note Guarantee at least to the same extent as the Indebtedness being Refinanced;

provided further, however, that Refinancing Indebtedness shall not include:

(A) Indebtedness of a Restricted Subsidiary that is not a Note Guarantor that Refinances Indebtedness of the Company or

(B) Indebtedness of the Company or a Restricted Subsidiary that Refinances Indebtedness of an Unrestricted Subsidiary.

"Related Parties" means with respect to a Person that is a natural person

(a) (1) any spouse, parent or lineal descendant of such Person or

(2) the estate of such Person during any period in which such estate holds Equity Interests of DonJoy or the Company for the benefit of any person referred to in clause (a)(1) and

(b) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially owning an interest of more than 50% of which consist of such Person and/or such other Persons referred to in the immediately preceding clause (a).

"Representative" means the trustee, agent or representative (if any) for an issue of Senior Indebtedness.

"Restricted Investment" means any Investment other than a Permitted Investment.

"Restricted Subsidiary" means DJ Capital and any other Subsidiary of the Company other than an Unrestricted Subsidiary.

"Sale/Leaseback Transaction" means an arrangement relating to property now owned or hereafter acquired by the Company or a Restricted Subsidiary whereby

the Company or a Restricted Subsidiary transfers such property to a Person and the Company or such Restricted Subsidiary leases it from such Person, other than leases between the Company and a Wholly Owned Subsidiary or between Wholly Owned Subsidiaries.

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"SEC" means the Securities and Exchange Commission.

"Secured Indebtedness" means any Indebtedness of the Company or DJ Capital secured by a Lien. "Secured Indebtedness" of a Note Guarantor has a correlative meaning.

"Senior Subordinated Indebtedness" of the Company means the notes and any other Indebtedness of the Company that specifically provides that such Indebtedness is to rank pari passu with the notes in right of payment and is not subordinated by its terms in right of payment to any Indebtedness or other obligation of the Company which is not Senior Indebtedness. "Senior Subordinated Indebtedness" of DJ Capital or a Note Guarantor has a correlative meaning.

"Significant Subsidiary" means any Restricted Subsidiary that would be a "Significant Subsidiary" of the Company within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency beyond the control of the issuer unless such contingency has occurred).

"Subordinated Obligation" means any Indebtedness of the Company (whether outstanding on the Closing Date or thereafter Incurred) that is subordinate or junior in right of payment to the notes pursuant to a written agreement. "Subordinated Obligation" of DJ Capital or a Note Guarantor has a correlative meaning.

"Subsidiary" of any Person means any corporation, association, partnership, limited liability company or other business entity of which more than 50% of the total voting power of Equity Interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, representatives, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by:

(1) such Person,

(2) such Person and one or more Subsidiaries of such Person or

(3) one or more Subsidiaries of such Person.

"Tax Distribution" means any distribution by the Company to its members which

(1) with respect to quarterly estimated tax payments due in each calendar year shall be equal to twenty-five percent (25%) of the Income Tax Liabilities for such calendar year as estimated in writing by the chief financial officer of the Company and

(2) with respect to tax payments to be made with income tax returns filed for a full calendar year or with respect to adjustments to such returns imposed by the Internal Revenue Service or other taxing authority, shall be equal to the Income Tax Liabilities for each calendar year minus the aggregate amount distributed for such calendar year as provided in clause (1) above.

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In the event the amount determined under clause (2) is a negative amount, the amount of any Tax Distributions in the succeeding calendar year (or, if necessary, any subsequent calendar years) shall be reduced by such negative amount.

"Temporary Cash Investments" means any of the following:

(1) any investment in direct obligations of the United States of America or any agency or instrumentality thereof or obligations Guaranteed or insured by the United States of America or any agency or instrumentally thereof,

(2) investments in checking accounts, savings accounts, time deposit accounts, certificates of deposit, bankers' acceptances and money market

deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company that is organized under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America having capital, surplus and undivided profits aggregating in excess of $250,000,000 (or the foreign currency equivalent thereof) and whose long-term debt is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act),

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank meeting the qualifications described in clause (2) above,

(4) investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's Investors Service, Inc. or "A-1" (or higher) according to Standard and Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. ("S&P"),

(5) investments in securities with maturities of six months or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or "A" by Moody's Investors Service, Inc., and

(6) investments in money market funds that invest substantially all of their assets in securities of the types described in clauses (1) through (5) above.

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. sec.sec. 77aaa-77bbbb) as in effect on the Closing Date.

"Total Assets" means the total consolidated assets of the Company and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Company.

"Trade Payables" means, with respect to any Person, any accounts payable or any indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person arising in the ordinary course of business in connection with the acquisition of goods or services.

"Transactions" has the meaning specified in this prospectus.

"Trustee" means the party named as such in the Indenture until a successor replaces it and, thereafter, means the successor.

"Trust Officer" means the Chairman of the Board, the President or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"Unrestricted Subsidiary" means:

(1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Governing Board in the manner provided below and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Governing Board may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary of the Company), other than DJ Capital, to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Equity Interests in or Indebtedness of, or owns or holds any Lien on any property of, the Company or any other Subsidiary of the Company that is not a Subsidiary of the Subsidiary to be so designated; provided, however, that either:

- the Subsidiary to be so designated has total Consolidated assets of $1,000 or less or
- if such Subsidiary has Consolidated assets greater than $1,000, then such designation would be permitted under the covenant entitled "Limitation on Restricted Payments."

The Governing Board may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided, however, that immediately after giving effect to such designation:

- the Company could Incur $1.00 of additional Indebtedness under

paragraph (a) of the covenant described under "-- Certain Covenants -- Limitation on Indebtedness" and

- no Default shall have occurred and be continuing.

Any such designation of a Subsidiary as a Restricted Subsidiary or Unrestricted Subsidiary by the Governing Board shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Governing Board giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing provisions.

"U.S. Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable or redeemable at the issuer's option.

"Voting Equity Interests" of a Person means the Equity Interests in a corporation or other Person with voting power under ordinary circumstances (without regard to the occurrence of any contingency) entitling the holders thereof to elect or appoint the board of managers, board of directors, executive committee, management committee or other governing body of such corporation or Person.

"Wholly Owned Subsidiary" means a Restricted Subsidiary of the Company all the Equity Interests of which (other than directors' qualifying Equity Interests) are owned by the Company or another Wholly Owned Subsidiary.

EXCHANGE AND REGISTRATION RIGHTS AGREEMENT

The Issuers, DonJoy and the initial purchaser of the old notes entered into the exchange and registration rights agreement on June 30, 1999. Pursuant to the exchange and registration rights agreement, the Issuers and DonJoy agreed to

- file with the Commission on or prior to 75 days after the date of issuance of the old notes a registration statement on Form S-1 or Form S-4, if the use of such form is then available relating to a registered exchange offer for the notes under the Securities Act; and

- use their reasonable best efforts to cause the Exchange Offer Registration Statement to be declared effective under the Securities Act within 180 days after the date of issuance of the old notes.

As soon as practicable after the effectiveness of the exchange offer registration statement, the Issuers will offer to the holders of transfer restricted securities (as defined below) who are not prohibited by any law or policy of the Commission from participating in the exchange offer the opportunity to exchange their transfer restricted securities for a second series of notes that are identical in all material respects to the old notes (except that the new notes will not contain terms with respect to transfer restrictions) and that would be registered under the Securities Act. The Issuers and DonJoy will keep the exchange offer open for not less than 30 days (or longer, if required by applicable law) after the date on which notice of the exchange offer is mailed to the holders of the old notes.

If

- because of any change in law or applicable interpretations thereof by the staff of the Commission, the Issuers and DonJoy determine in good faith after consultation with counsel that they are not permitted to effect the exchange offer as contemplated hereby;

- any old notes validly tendered pursuant to the exchange offer are not exchanged for new notes within 225 days after the date of issuance of the old notes;

- the initial purchaser so requests with respect to old notes not eligible to be exchanged for new notes in the exchange offer;

- any applicable law or interpretations do not permit any holder of old notes to participate in the exchange offer;

- any holder of old notes that participates in the exchange offer notifies the Company in writing within 30 days following the consummation of the exchange offer that such holder may not resell the new notes acquired by it in the exchange offer to the public without delivering a prospectus, and the prospectus contained in the exchange offer registration statement is not legally available for such resales by such holder; or

- the Issuers so elect,

then the Issuers and DonJoy will file with the Commission a shelf registration statement to cover resales of transfer restricted securities by such holders who satisfy certain conditions relating to the provision of information in connection with

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the shelf registration statement. For purposes of the foregoing, "transfer restricted securities" means each old note until

(1) the date on which such note has been exchanged for a freely transferable new note in the exchange offer;

(2) the date on which such old note has been effectively registered under the Securities Act and disposed of in accordance with the shelf registration statement or

(3) the date on which such old note is distributed to the public pursuant to Rule 144 under the Securities Act or is salable pursuant to Rule 144(k) under the Securities Act.

The Issuers and DonJoy will use their reasonable best efforts to have the exchange offer registration statement or, if applicable, the shelf registration statement declared effective by the Commission as promptly as practicable after the filing thereof. Unless the exchange offer would not be permitted by a policy of the Commission, the Company will commence the exchange offer and will use its reasonable best efforts to consummate the exchange offer as promptly as practicable, but in any event prior to 225 days after the date of issuance of the old notes. If applicable, the Issuers and DonJoy will use their reasonable best efforts to keep the shelf registration statement effective for a period of two years after the date of issuance of the old notes.

If

(1) the applicable registration statement is not filed with the Commission on or prior to the date specified in the exchange and registration rights agreement;

(2) the exchange offer registration statement or the shelf registration statement, as the case may be, is not declared effective on or prior to the date specified in the exchange and registration rights agreement;

(3) exchange offer is not consummated on or prior to 225 days after the date of issuance of the old notes (other than in the event the Issuers file a shelf registration statement); or

(4) the shelf registration statement is filed and declared effective on or prior to the date specified in the exchange and registration rights agreement but shall thereafter cease to be effective (at any time that the Issuers and DonJoy are obligated to maintain the effectiveness thereof) without being succeeded within 60 days by an additional registration statement filed and declared effective (each such event referred to in clauses (1) through (4), a "registration default"),

the Issuers and DonJoy will be obligated to pay liquidated damages to each holder of transfer restricted securities (but not in respect of any transfer restricted securities for any period after such securities cease to be transfer restricted securities pursuant to clause (3) of the definition thereof set forth above) during the period of one or more such registration defaults, in an amount equal to $0.192 per week per $1,000 principal amount of the old notes constituting transfer restricted securities held by such holder until the applicable registration statement is filed, the exchange offer registration statement is declared effective and the exchange offer is consummated or the shelf registration statement is declared

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effective or again becomes effective, as the case may be. All accrued liquidated damages shall be paid to holders in the same manner as interest payments on the old notes on semi-annual payment dates which correspond to interest payment dates for the old notes. Following the cure of all registration defaults, the accrual of liquidated damages will cease.

The exchange and registration rights agreement also provides that the Issuers and DonJoy

- shall make available for a period of 180 days after the consummation of the exchange offer a prospectus meeting the requirements of the Securities Act to any broker-dealer for use in connection with any resale of any such Exchange Notes and

- shall pay all expenses incident to the exchange offer (including the

expense of one counsel to the holders of the Notes) and will jointly and severally indemnify certain holders of the Notes (including any broker-dealer) against certain liabilities, including liabilities under the Securities Act.

A broker-dealer which delivers such a prospectus to purchasers in connection with such resales will be subject to the civil liability provisions under the Securities Act and will be bound by the provisions of the exchange and registration rights agreement (including certain indemnification rights and obligations).

The foregoing description of the exchange and registration rights agreement is a summary only, does not purport to be complete and is qualified in its entirety by reference to all provisions of the exchange and registration rights agreement, a copy of which is filed as an exhibit to the registration statement of which this prospectus is a part.

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CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The exchange of an old note for a new note should not constitute a taxable exchange for U.S. federal income tax purposes. Consequently, no gain or loss should be recognized by holders that exchange old notes for new notes pursuant to the exchange offer. For purposes of determining gain or loss upon the subsequent sale or exchange of new notes, a holder's tax basis in a new note should be the same as such holder's tax basis in the old note exchanged therefor. Holders should be considered to have held the new notes from the time of their acquisition of the old notes. PERSONS CONSIDERING THE EXCHANGE OF OLD NOTES FOR NEW NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL INCOME TAX CONSEQUENCES IN LIGHT OF THEIR PARTICULAR SITUATIONS AS WELL AS ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION.

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BOOK-ENTRY; DELIVERY AND FORM

The new notes will initially be represented by one or more permanent global notes in definitive, fully registered book-entry form, without interest coupons that will be deposited with, or on behalf of, DTC and registered in the name of DTC or its nominee, on behalf of the acquirers of new notes represented thereby for credit to the respective accounts of the acquirers, or to such other accounts as they may direct, at DTC, or Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euroclear System, or Cedel Bank, societe anonyme. See "The Exchange Offer -- Book Entry Transfer".

Except as set forth below, the global notes may be transferred, in whole and not in part, solely to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the global notes may not be exchanged for notes in physical, certificated form except in the limited circumstances described below.

All interests in the global notes, including those held through Euroclear or Cedel, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Cedel may also be subject to the procedures and requirements of such systems.

CERTAIN BOOK-ENTRY PROCEDURES FOR THE GLOBAL NOTES

The descriptions of the operations and procedures of DTC, Euroclear and Cedel set forth below are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them from time to time. Neither the Issuers nor DonJoy takes any responsibility for these operations or procedures, and investors are urged to contact the relevant system or its participants directly to discuss these matters.

DTC has advised the Issuers and DonJoy that it is

(1) a limited purpose trust company organized under the laws of the State of New York,

(2) a "banking organization" within the meaning of the New York Banking Law,

(3) a member of the Federal Reserve System,

(4) a "clearing corporation" within the meaning of the Uniform Commercial Code, as amended, and

(5) a "clearing agency" registered pursuant to Section 17A of the Exchange

Act.

DTC was created to hold securities for its participants and facilitates the clearance and settlement of securities transactions between participants through electronic book-entry changes to the accounts of its participants, thereby eliminating the need for physical transfer and delivery of certificates. DTC's participants include securities brokers and dealers, banks and trust companies, clearing corporations and certain other organizations. Indirect access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Investors who are not participants may beneficially own securities held by or on behalf of DTC only through participants or indirect participants.

The Issuers and DonJoy expect that pursuant to procedures established by DTC ownership of the new notes will be shown on, and the transfer of ownership

thereof will be effected only through, records maintained by DTC (with respect to the interests of participants) and the records of participants and the indirect participants (with respect to the interests of persons other than participants).

The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Accordingly, the ability to transfer interests in the new notes represented by a global note to such persons may be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person having an interest in new notes represented by a global note to pledge or transfer such interest to persons or entities that do not participate in DTC's system, or to otherwise take actions in respect of such interest, may be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC or its nominee is the registered owner of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by the global note for all purposes under the Indenture. Except as provided below, owners of beneficial interests in a global note

- will not be entitled to have new notes represented by such global note registered in their names,

- will not receive or be entitled to receive physical delivery of certificated new notes, and

- will not be considered the owners or holders thereof under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee thereunder.

Accordingly, each holder owning a beneficial interest in a global note must rely on the procedures of DTC and, if such holder is not a participant or an indirect participant, on the procedures of the participant through which such holder owns its interest, to exercise any rights of a holder of notes under the indenture or such global note. The Company understands that under existing industry practice, in the event that the Company requests any action of holders of notes, or a holder that is an owner of a beneficial interest in a global note desires to take any action that DTC, as the holder of such global note, is entitled to take, DTC would authorize the participants to take such action and the participants would authorize holders owning through such participants to take such action or would otherwise act upon the instruction of such holders. Neither the Issuers, DonJoy nor the trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to such new notes.

Payments with respect to the principal of, and premium, if any, and interest on, any new notes represented by a global note registered in the name of DTC or its nominee on the applicable record date will be payable by the trustee to or at the direction of DTC or its nominee in its capacity as the registered holder of the global note representing the new notes under the indenture. Under the terms of the indenture, the Issuers, DonJoy and the trustee may treat the persons in whose names the new notes, including the global notes, are registered as the owners thereof for the purpose of receiving payment thereon and for any and all other purposes whatsoever. Accordingly, neither the Issuers, DonJoy nor the trustee has or will have any responsibility or liability for the payment of such amounts to owners of beneficial interests in a global note (including principal, premium, if any,

liquidated damages, if any, and interest). Payments by the participants and the indirect participants to the owners of beneficial interests in a global note will be governed by standing instructions and customary industry practice and will be the responsibility of the participants or the indirect participants and DTC.

Transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear or Cedel will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Cedel participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Cedel, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Cedel, as the case may be, by the counterpart in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Cedel, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant global notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Cedel participants may not deliver instructions directly to the depositaries for Euroclear or Cedel.

Because of time zone differences, the securities account of a Euroclear or Cedel participant purchasing an interest in a global note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Cedel participant, during the securities settlement processing day (which must be a business day for Euroclear and Cedel) immediately following the settlement date of DTC. Cash received in Euroclear or Cedel as a result of sales of interest in a global note by or through a Euroclear or Cedel participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Cedel cash account only as of the business day for Euroclear or Cedel following DTC's settlement date.

Although DTC, Euroclear and Cedel have agreed to the foregoing procedures to facilitate transfers of interests in the global notes among participants in DTC, Euroclear and Cedel, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuers, DonJoy nor the trustee will have any responsibility for the performance by DTC, Euroclear or Cedel or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

CERTIFICATED NOTES

If

- the Company notifies the trustee in writing that DTC is no longer willing or able to act as a depositary or DTC ceases to be registered as a clearing agency under the Exchange Act and a successor depositary is not appointed within 90 days of such notice or cessation,

- the Company, at its option, notifies the trustee in writing that it elects to cause the issuance of notes in definitive form under the indenture or

- upon the occurrence of certain other events as provided in the indenture,

then, upon surrender by DTC of the global notes, certificated notes will be issued to each person that DTC identifies as the beneficial owner of the notes represented by the global notes. Upon any such issuance, the trustee is required to register such certificated notes in the name of such person or persons (or the nominee of any thereof) and cause the same to be delivered thereto.

Neither the Issuers, DonJoy nor the trustee shall be liable for any delay by DTC or any participant or indirect participant in identifying the beneficial owners of the related notes and each such person may conclusively rely on, and shall be protected in relying on, instructions from DTC for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the notes to be issued).

YEAR 2000

DTC management is aware that some computer applications, systems and the like for processing data that are dependent upon calendar dates, including dates before, on and after January 1, 2000, may encounter "year 2000 problems." DTC

has informed its participants and other members of the financial community that it has developed and is implementing a program so that its systems, as the same relate to the timely payment of distributions (including principal and income payments) to securityholders, book-entry deliveries and settlement of trades within DTC, continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third-party vendors from whom DTC licenses software and hardware, and third-party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the industry that it is contacting (and will continue to contact) third-party vendors from whom DTC acquires services to:

- impress upon them the importance of such services being year 2000 compliant; and

- determine the extent of their efforts for year 2000 remediation (and, as appropriate, testing) of their services.

In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

PLAN OF DISTRIBUTION

Until , , all dealers effecting transactions in the new notes, whether or not participating in this distribution, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes only where such old notes were acquired as a result of market-making activities or other trading activities. The Issuers have agreed that, for a period of 180 days from the date on which the exchange offer is consummated, they will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale.

The Issuers will not receive any proceeds from any sale of new notes by broker-dealers. New notes received by broker-dealers for their own account pursuant to the exchange offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the new notes or a combination of such methods of resale, at prices related to such prevailing market prices or at negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers of any new notes. Any broker-dealer that resells new notes that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of such new notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of new notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period of 180 days from the date on which the exchange offer is consummated, the Issuers will promptly send additional copies of this prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests such documents in the letter of transmittal. The Issuers have agreed to pay all expenses incident to the exchange offer (including the expenses of one counsel for holders of the notes) other than commissions or concessions of any broker-dealers and will indemnify the holders of the notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

The validity of the new notes offered hereby and the guarantee of DonJoy

will be passed upon for the Issuers and DonJoy by O'Sullivan Graev & Karabell, LLP, New York, New York.

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EXPERTS

The financial statements of DonJoy, L.L.C. at December 31, 1997 and 1998 and for each of the three years in the period ended December 31, 1998 included in this prospectus have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports with respect thereto appearing herein and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

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REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors of Smith & Nephew, Inc.
DonJoy, L.L.C.

We have audited the accompanying consolidated balance sheets of DonJoy, L.L.C. as of December 31, 1997 and 1998, and the related consolidated statements of income, member's equity and cash flows for each of the three years in the period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of DonJoy, L.L.C. at December 31, 1997 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

San Diego, California
March 11, 1999,
except for Note 8, as to which the date is
June 30, 1999

DONJOY, L.L.C.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

<TABLE>
<CAPTION>

	DECEMBER 31,		JUNE 29,
	1997	1998	1999
			(UNAUDITED)
<S>	<C>	<C>	<C>
ASSETS			
Current assets:			
Cash	$ 910	$ 809	$ 1,086
Accounts receivable, net of allowance for doubtful accounts of $412 and $356 at December 31, 1997 and 1998, respectively ($745 at June 29, 1999, unaudited)	13,304	17,543	16,415
Accounts receivable, related parties	2,724	2,301	1,983
Inventories, net	11,608	14,368	14,441
Other current assets	714	811	582
Total current assets	29,260	35,832	34,507
Property, plant and equipment, net	6,518	7,400	6,377
Intangible assets, net	35,344	33,758	34,609
Other assets	166	66	134
Total assets	$71,288	$77,056	$75,627
LIABILITIES AND MEMBER'S EQUITY			
Current liabilities:			
Accounts payable	$ 7,858	$ 8,481	$ 6,306
Accounts payable, related parties	265	137	157
Accrued compensation	1,424	1,250	1,669
Accrued commissions	1,568	1,191	794
Current and deferred income taxes due to Parent	6,384	5,640	--
Intercompany obligations	1,500	1,210	1,695
Restructuring reserve	--	1,639	--
Other accrued liabilities	512	659	420
Total current liabilities	19,511	20,207	11,041
Deferred rent	369	--	--
Intercompany obligations, less current portion	43,527	44,017	--
Commitments			
Member's equity	7,881	12,832	64,586
Total liabilities and member's equity	$71,288	$77,056	$75,627

</TABLE>

See accompanying notes.

DONJOY, L.L.C.

CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS)

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED	
				JUNE 27,	JUNE 29,
	1996	1997	1998	1998	1999
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
Net revenues:					
Third parties	$73,413	$80,934	$ 90,467	$42,322	$49,406
Related parties	9,699	11,807	10,702	5,722	5,247
Total net revenues	83,112	92,741	101,169	48,044	54,653
Cost of goods sold	36,396	39,030	46,329	22,096	25,642
Gross profit	46,716	53,711	54,840	25,948	29,011

Operating expenses:					
Sales and marketing.....	20,067	22,878	25,296	12,001	13,371
General and administrative.....	12,941	15,802	16,484	8,269	8,773
Research and development.....	1,766	2,055	2,248	1,201	1,048
Restructuring costs.....	--	--	2,467	2,467	--
Total operating expenses..	34,774	40,735	46,495	23,938	23,192
Income from operations....	11,942	12,976	8,345	2,010	5,819
Interest income (expense), net.....	(2,459)	(2,072)	--	--	--
Income before income taxes.....	9,483	10,904	8,345	2,010	5,819
Provision for income taxes.....	3,828	4,367	3,394	817	2,387
Net income.....	$ 5,655	$ 6,537	$ 4,951	$ 1,193	$ 3,432

</TABLE>

See accompanying notes.

DONJOY, L.L.C.

STATEMENTS OF CHANGES IN CONSOLIDATED MEMBER'S EQUITY
(IN THOUSANDS)

<TABLE>

<S>	<C>
Balance at December 31, 1995.....	$ 12,593
Dividend in connection with the merger of Smith & Nephew DonJoy, Inc. into Smith & Nephew, Inc.....	(23,895)
Capital contribution in connection with the merger of Smith & Nephew DonJoy, Inc. into Smith & Nephew, Inc.....	10,000
Dividends to Smith & Nephew, Inc.....	(3,009)
Net income.....	5,655
Balance at December 31, 1996.....	1,344
Net income.....	6,537
Balance at December 31, 1997.....	7,881
Net income.....	4,951
Balance at December 31, 1998.....	12,832
Capital contribution by Parent in connection with the Recapitalization (unaudited).....	48,322
Net income (unaudited).....	3,432
Balance at June 29, 1999 (unaudited).....	$ 64,586

</TABLE>

See accompanying notes.

DONJOY, L.L.C.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED	
	1996	1997	1998	JUNE 27, 1998	JUNE 29, 1999
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
OPERATING ACTIVITIES					
Net income.....	$ 5,655	$ 6,537	$4,951	$ 1,193	$ 3,432
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization.....	4,642	4,803	4,853	2,457	2,451

Restructuring costs	--	--	2,467	2,467	--
Deferred rent	(42)	(78)	--	--	--
Changes in operating assets and liabilities:					
Accounts receivable	994	(1,440)	(4,239)	(1,993)	1,128
Accounts receivable, related parties	(448)	(1,042)	423	798	318
Inventories	(962)	(591)	(2,760)	(2,642)	(74)
Other current assets	(130)	444	(97)	(286)	229
Accounts payable	902	2,341	623	(1,033)	(2,179)
Accounts payable, related parties	115	(20)	(128)	(201)	20
Accrued compensation	9	422	(174)	(136)	419
Accrued commissions	(448)	110	(377)	(740)	(397)
Current and deferred income taxes due to Parent	93	363	(744)	1,005	2,516
Restructuring reserve	(957)	--	(1,197)	(732)	(340)
Other accrued liabilities	208	(773)	147	36	(233)
Net cash provided by operating activities	9,631	11,076	3,748	193	7,290
INVESTING ACTIVITIES					
Purchases of property, plant and equipment	(1,848)	(2,273)	(3,189)	(2,742)	(515)
Acquisition of intangible asset rights	--	--	(960)	--	(2,205)
Other assets	(12)	(49)	100	98	(68)
Net cash used in investing activities	(1,860)	(2,322)	(4,049)	(2,644)	(2,788)
FINANCING ACTIVITIES					
Capital contribution	10,000	--	--	--	--
Dividends to Smith & Nephew, Inc.	(26,904)	--	--	--	--
Intercompany obligations	8,972	(8,401)	200	1,826	(4,225)
Net cash (used in) provided by financing activities	(7,932)	(8,401)	200	1,826	(4,225)
Net (decrease) increase in cash	(161)	353	(101)	(625)	277
Cash at beginning of year	718	557	910	910	809
Cash at end of year	$ 557	$ 910	$ 809	$ 285	$ 1,086
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:					
Settlement of note payable through intercompany obligations	$ --	$38,000	$ --	$ --	$ --
Capital contribution in connection with the Recapitalization	$ --	$ --	$ --	$ --	$48,322

</TABLE>

See accompanying notes.

DONJOY, L.L.C.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(INFORMATION SUBSEQUENT TO DECEMBER 31, 1998 AND FOR THE THREE MONTHS ENDED MARCH 28, 1998 AND APRIL 3, 1999 IS UNAUDITED)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND BASIS OF PRESENTATION

DonJoy, L.L.C. (the "Company") designs, manufactures and markets various lines of external recovery products and accessories.

The Company was established in December 1982 as DonJoy, Inc. The Company was acquired by Smith & Nephew, Inc. (formerly Smith & Nephew Consolidated, Inc., the "Parent") effective September 18, 1987 through a purchase of all the then outstanding shares of the Company's stock. Smith & Nephew, Inc. is a wholly-owned subsidiary of Smith & Nephew plc., a United Kingdom company. In November 1996, Smith & Nephew DonJoy, Inc. was merged into Smith & Nephew, Inc. and began to operate as a division. Effective December 29, 1998, the Parent contributed the Company's net assets and shares of a Mexican subsidiary into DonJoy, L.L.C. a newly formed Delaware limited liability company and became the sole member of the new entity.

As described in Note 8, in June 1999, the Parent sold 90% of its member's interest back to the Company in connection with a series of Recapitalization transactions. The accompanying consolidated financial statements present the historical consolidated financial position and results of operations of the Company and include the accounts of the Company and the accounts of its wholly-owned Mexican subsidiary that manufactures a portion of the Company's products under Mexico's maquiladora program. The maquiladora program allows foreign manufacturers to take advantage of Mexico's lower cost production sharing capabilities. The accompanying results of operations reflect only the operations of the business involved in the Recapitalization transactions and

exclude any operations remaining in the control of the Parent. All intercompany accounts and transactions have been eliminated in consolidation. The Company's assets are also available for the satisfaction of other debts of the Parent, not solely debts appearing in the accompanying consolidated balance sheets. Certain expenses reflected in the accompanying consolidated statements of income are allocations from the Parent and Smith & Nephew plc and may therefore differ from the expenses which would have occurred had the Company operated as an autonomous entity (see Note 3).

INTERIM FINANCIAL INFORMATION

The Company's fiscal year ends on December 31. Each quarter consists of one five-week and two four-week periods. The first and fourth quarters may have more or less working days from year to year based on what day of the week holidays fall on. The accompanying consolidated financial statements at June 29, 1999 and for the six-months ended June 27, 1998 and June 29, 1999 are unaudited but include all adjustments (consisting of normal recurring accruals) which, in the opinion of management, are necessary for a fair statement of the financial position and the operating results and cash flows for the interim date and periods presented. Results for the interim period ended June 29, 1999 are not

necessarily indicative of results to be achieved for the entire year or future periods. The six-month period ended June 29, 1999 contained two more business days than the six-month period ended June 27, 1998 which resulted in the Company recognizing approximately $900,000 more in revenue in 1999 versus in 1998.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

LONG-LIVED ASSETS

Property, plant and equipment and intangible assets are recorded at cost. The Company provides for depreciation on property, plant and equipment and intangible assets using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of their estimated useful life or the term of the related lease.

The Company periodically reviews its long-lived assets, including intangibles, for indicators of impairment. If indicators exist, an analysis of future undiscounted cash flows would be performed. If such future undiscounted cash flows are less than the net book value of the assets, the carrying value would be reduced to estimated fair value.

INVENTORIES

Inventories are stated at the lower of cost or market, with cost determined on a first-in, first-out (FIFO) basis. In connection with the Recapitalization transactions described in Note 8, the Company changed its method of valuing its inventory from the last-in, first-out method (LIFO) to the FIFO method because management believes the FIFO method is preferable. This change was implemented during 1998, retroactively for all periods presented. The effect of the change was an increase (decrease) in net income of $152,000 in 1996, $(125,000) in 1997 and $346,000 in 1998.

REVENUE RECOGNITION

Revenues and costs are recognized as products are shipped. Revenues from third-party payors are recorded net of contractual allowances. Products have a limited warranty and estimated warranty costs are accrued in the period sales are recognized.

ADVERTISING EXPENSE

The cost of advertising is expensed as incurred. The Company incurred $93,000, $95,000 and $122,000 in advertising costs for the years ended December

31, 1996, 1997 and 1998.

FOREIGN CURRENCY TRANSLATION

The Company has determined that the functional currency of its Mexican operations is the U.S. dollar. Accordingly, assets and liabilities are translated at the ending exchange rate in effect during the period except for long-term non-monetary assets and equity, which are translated at their historical exchange rates. Depreciation and amortization expense of the related long-term assets is also translated at historical exchange rates. Translation adjustments are reported as income or expense in the periods presented.

CONCENTRATION OF CREDIT RISK

The Company sells the majority of its products in the United States through 26 manufacturer's representative organizations (referred to as distributors). Products which are generic are sold through large distributors, specialty dealers and buying groups. International sales comprise 20%, 18% and 18% in 1996, 1997 and 1998, respectively, of total revenues and are primarily sold through Smith & Nephew plc companies and also independent distributors. Credit is extended based on an evaluation of the customer's financial condition and generally collateral is not required. The Company also provides a reserve for estimated sales returns. Both credit losses and returns have been within management's estimates.

During the three years ended December 31, 1998 and the six months ended June 29, 1999, the Company had no individual customer or distributor which accounted for 10% or more of total annual revenues.

INCOME TAXES

The Company's Parent files a consolidated federal income tax return which includes all of it's eligible subsidiaries and divisions, including the Company. The provision for income taxes has been presented assuming the Company filed a separate federal income tax return.

The provision for income taxes for the six months ended June 27, 1998 and June 29, 1999 have been recorded based on the Company's annual effective rate.

NEW ACCOUNTING STANDARDS

Effective January 1, 1998, the Company adopted Financial Accounting Standards Board Statement of Financial Accounting Standards ("SFAS") No. 130, Reporting Comprehensive Income. SFAS No. 130 requires that all components of comprehensive income, including net income, be reported in the financial statements in the period in which they are recognized. Comprehensive income is defined as the change in equity during a period from transactions and other events

and circumstances from non-owner sources. Net income and other comprehensive income, including foreign currency translation adjustments and unrealized gains and losses on investments, shall be reported, net of their related tax effect, to arrive at comprehensive income. The adoption of SFAS 130 resulted in comprehensive income that was the same as net income.

Effective January 1, 1998, the Company adopted the Financial Accounting Standards Board SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. SFAS No. 131 superseded SFAS No. 14 Financial Reporting for Segments of a Business Enterprise. SFAS No. 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. SFAS No. 131 also establishes standards for related disclosures about products and services, geographic areas, and major customers. The adoption of SFAS No. 131 did not affect results of operations or financial position, but did affect the disclosure of segment information. See Note 7.

2. FINANCIAL STATEMENT INFORMATION

INVENTORIES

Inventories consist of the following (in thousands):

<TABLE>
<CAPTION>

	DECEMBER 31,		JUNE 29,
	1997	1998	1999

			(UNAUDITED)
<S>	<C>	<C>	<C>
Raw materials	$ 6,812	$ 6,443	$ 6,560
Work-in-progress	676	1,614	1,448
Finished goods	4,870	6,867	7,131
	12,358	14,924	15,139
Less reserve for excess and obsolete	(750)	(556)	(698)
	$11,608	$14,368	$14,441

</TABLE>

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following (in thousands):

<TABLE>
<CAPTION>

	DECEMBER 31,		
	1997	1998	JUNE 29, 1999
			(UNAUDITED)
<S>	<C>	<C>	<C>
Buildings and leasehold improvements	$ 2,570	$ 5,285	$ 3,499
Office furniture, fixtures and equipment and other	13,242	14,488	14,689
Construction in progress	1,200	337	516
	17,012	20,110	18,704
Less accumulated depreciation and amortization	(10,494)	(12,710)	(12,327)
	$ 6,518	$ 7,400	$ 6,377

</TABLE>

INTANGIBLE ASSETS

Intangible assets arose from the initial acquisition of the Company in 1987 and from the Company's acquisition of Professional Care Products, Inc. in 1995. Intangible assets consist of the following (in thousands):

<TABLE>
<CAPTION>

		DECEMBER 31,		
	USEFUL LIFE	1997	1998	JUNE 29 1999
				(UNAUDITED)
<S>	<C>	<C>	<C>	<C>
Goodwill	20	$ 24,742	$ 24,742	$ 24,742
Patented technology	5-20	13,477	14,437	14,437
Customer base	20	11,600	11,600	11,600
Distribution rights	5	--	--	2,000
Assembled workforce	6	250	250	250
Other	5-20	195	195	399
		50,264	51,224	53,428
Less accumulated amortization		(14,920)	(17,466)	(18,819)
		$ 35,344	$ 33,758	$ 34,609

</TABLE>

3. RELATED PARTY TRANSACTIONS

The intercompany obligations included in the accompanying balance sheets represent a net balance as the result of various transactions between the Company, its Parent and its affiliates. There are no terms of settlement or interest charges associated with the account balance. The balance results from the Company's participation in the Parent's central cash management program, wherein all the Company's cash receipts are remitted to the Parent and all cash

disbursements are funded by the Parent. Several other transactions are recorded through the intercompany obligations account as detailed below.

Included in the January 1, 1996 balance of intercompany obligations, is a note payable of $38 million related to the acquisition of Procare. The note was repaid in 1997.

An analysis of intercompany transactions are as follows:

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 29,
	1996	1997	1998	1999
				(UNAUDITED)
<S>	<C>	<C>	<C>	<C>
Balance at beginning of period.....	$ 44,456	$ 53,428	$ 45,027	$45,227
Net cash remitted to Parent.....	(16,722)	(27,362)	(18,256)	(16,115)
Net intercompany sales.....	(4,556)	(4,116)	(5,078)	(112)
Net fixation device sales.....	380	307	256	--
Share of Parent's current income tax liability.....	3,558	4,192	4,287	(134)
Corporate management expense allocations.....	3,157	5,418	5,664	3,159
Cash owed to Parent.....	--	--	--	1,002
I-Flow licensing agreement.....	--	--	--	800
Dividend in connection with the merger of Smith & Nephew Don Joy, Inc. into Smith & Nephew, Inc....	23,895	--	--	--
Capital contribution.....	(10,000)	--	--	(38,865)
Dividends to Smith & Nephew, Inc.	3,009	--	--	--
Interest on note payable.....	2,581	2,565	--	--
Direct charges:				
Brand royalties.....	1,274	1,605	3,249	1,817
Payroll taxes and benefits.....	1,881	6,787	8,635	4,651
Direct legal expenses.....	224	735	324	67
Foreign Sales Corporation (FSC) commission.....	492	661	439	--
Miscellaneous other administrative expenses.....	(201)	807	680	131
Balance at end of period.....	53,428	45,027	45,227	1,628
Less current portion.....	(1,035)	(1,500)	(1,210)	(1,628)
Long-term intercompany obligations....	$ 52,393	$ 43,527	$ 44,017	$ --
Average balance during the period.....	$ 48,942	$ 49,227	$ 45,127	$23,427

</TABLE>

The Parent and Smith & Nephew, plc provide certain management, financial, administrative and legal services to the Company. These expenses and all other central operating costs, are charged on the basis of direct usage when identifiable, with the remainder allocated among the Parent's subsidiaries and divisions on the basis of their respective annual sales or percentage of capital employed.

Parent allocations consist of the following (in thousands):

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 27,	SIX MONTHS ENDED JUNE 29,
	1996	1997	1998	1998	1999
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
Corporate managed accounts and new business.....	$ 194	$ 368	$ 394	$ 197	$ 195

</TABLE>

Finance (risk management, treasury, audit, and taxes)...	198	260	310	164	177
Human resources and payroll.....	101	130	291	136	147
Legal.....	153	177	223	112	128
Research and development.....	349	626	854	427	380
Corporate management expense....	642	1,284	1,332	666	784
Bonus.....	168	879	503	252	467
Pension.....	318	495	514	257	267
Insurance.....	1,034	1,199	1,243	622	614
	$3,157	$5,418	$5,664	$2,833	$3,159
Amounts included in:					
Cost of goods sold.....	$ 671	$ 977	$ 991	$ 496	$ 495
Sales and marketing.....	129	174	179	90	94
General and administrative....	2,319	4,229	4,439	2,219	2,553
Research and development.....	38	38	55	28	17
	$3,157	$5,418	$5,664	$2,833	$3,159

</TABLE>

The Company also participates in the Parent's corporate insurance programs for workers' compensation, product and general liability. These charges are settled with the Parent currently, and thus, accruals for related liabilities, if any, are maintained by the Parent and are not reflected in the accompanying consolidated balance sheets.

4. RESTRUCTURING

In March 1998, the Company combined its two operating facilities into one location in Vista, California and accrued $2,467,000 in costs resulting from the restructuring which had no future economic benefit. These costs relate primarily to remaining lease obligations on the vacated facility, net of projected sublease

income, and severance costs associated with the termination of twelve employees. Included in general and administrative costs are $248,000 of costs also related to the combination of the facilities.

5. COMMITMENTS AND CONTINGENCIES

The Company is obligated under various noncancellable operating leases for land, equipment, vehicles and office space through February 2008. Certain of the leases provide that the Company pay all or a portion of taxes, maintenance, insurance and other operating expenses, and certain of the rents are subject to adjustment for changes as determined by certain consumer price indices and exchange rates. The Company's corporate office lease agreement provides for deferred payment terms. For financial reporting purposes, rent expense is recorded on the straight-line basis over the term of the lease. Accordingly, deferred rent in the accompanying consolidated balance sheets represents the difference between rent expense accrued and amounts paid under the lease agreement.

Minimum annual lease commitments for noncancellable operating leases as of December 31, 1998 are as follows (in thousands):

<TABLE>

<S>	<C>
1999.....	$ 2,942
2000.....	2,508
2001.....	1,840
2002.....	1,796
2003 and thereafter.....	9,036
	$18,122

</TABLE>

Aggregate rent expense was approximately $2,296,000, $2,324,000 and $3,193,000 for the years ended December 31, 1996, 1997 and 1998 and $1,544,000 and $1,180,000 for the six months ended June 27, 1998 and June 29, 1999, respectively.

LICENSE AGREEMENT

In August of 1998, the Company entered into an exclusive license agreement with IZEX Technologies, Incorporated (IZEX) to acquire the intellectual property

rights and to retain IZEX to consult on the design and development of an advanced rehabilitation bracing system. In consideration for this exclusive agreement, the Company has agreed to a series of payments tied to the achievement of specific milestone events (such as the granting of FDA approval), for a total of $3.5 million. Under the license, the Company also has the worldwide exclusive rights to manufacture, use and sell developed products. At December 31, 1998, $960,000 is included in intangible assets (patented technology) in the accompanying balance sheet.

CONTINGENCIES

The Company is subject to legal proceedings and claims that arise in the normal course of business. While the outcome of the proceedings and claims cannot be predicted with certainty, management does not believe that the outcome of any of these matters will have a material adverse effect on the Company's consolidated financial position or results of operations.

6. RETIREMENT PLANS

Substantially all of the Company's employees participate in a defined benefit pension plan sponsored by the Parent. Benefits related to this plan are computed using formulas which are generally based on age and years of service. Aggregate pension prepayments and liabilities related to this plan are recorded by the Parent. Pension expense allocated (based on relative participation) to the Company related to this plan was as follow (in thousands):

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1996	1997	1998
<S>	<C>	<C>	<C>
Service costs	$291	$449	$466
Interest costs	27	46	48
Total pension expense allocated	$318	$495	$514

</TABLE>

The Company's employees participate in a separate 401(k) plan under which participants may contribute a percentage of their compensation to the plan. These plans are sponsored by the Parent. Contributions to the 401(k) plan are matched by the Parent with certain limitations. Liabilities related to these plans are maintained by the Parent. Expenses incurred by the Company related to this plan was $223,000, $255,000 and $299,000 for the years ended December 31, 1996, 1997 and 1998, respectively.

7. SEGMENT AND RELATED INFORMATION

The Company has two reportable segments as defined by Financial Accounting Standards Board SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. The Company's reportable segments are business units that offer different products and are managed separately because each business requires different technology and marketing strategies. The rigid knee bracing segment designs, manufactures and sells rigid framed ligament and osteoarthritis knee braces and post-operative splints and accounted for 48% of net revenues in 1998. The soft goods segment designs, manufactures and sells fabric, neoprene and Drytex based products for the knee, ankle, shoulder, back and wrist and accounted for 34% of net revenues in 1998. The Company's other operating segments are included in specialty and other orthopedic products. None of the

other segments met any of the quantitative thresholds for determining reportable segments. Information regarding industry segments is as follows (in thousands):

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,		SIX MONTHS ENDED	
			JUNE 27,	JUNE 29,

	1996	1997	1998	1998	1999
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
Net revenues:					
Rigid knee bracing	$47,849	$48,371	$ 48,777	$24,405	$24,031
Soft goods	27,194	31,737	34,364	16,102	18,775
Net revenues for reportable segments	75,043	80,108	83,141	40,507	42,806
Specialty and other orthopedic products	8,069	12,633	18,028	7,537	11,847
Total consolidated net revenues	$83,112	$92,741	$101,169	$48,044	$54,653
Gross profit:					
Rigid knee bracing	$32,092	$33,910	$ 34,460	$16,924	$17,238
Soft goods	12,965	15,541	16,637	7,805	9,130
Gross profit for reportable segments	45,057	49,451	51,097	24,729	26,368
Specialty and other orthopedic products	3,814	6,132	8,978	3,678	5,895
Brand royalties	(1,274)	(1,605)	(3,249)	(1,603)	(1,817)
Other cost of goods sold	(881)	(267)	(1,986)	(856)	(1,435)
Total consolidated gross profit	$46,716	$53,711	$ 54,840	$25,948	$29,011

</TABLE>

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The Company allocates resources and evaluates the performance of segments based on gross profit. Intersegment sales were not significant for any period.

For the three years ended December 31, 1998 and the six months ended June 29, 1999, the Company had no individual customer or distributor within a segment which accounted for 10% or more of total annual revenues.

Assets located in foreign countries were not significant. Net revenues to customers, attributed to countries based on the location of the customer, were as follows (in thousands):

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED	
	1996	1997	1998	JUNE 27, 1998	JUNE 29, 1999
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
United States:					
Third parties	$65,072	$73,093	$ 82,403	$37,924	$45,469
Related parties	1,110	3,048	936	478	586
	66,182	76,141	83,339	38,402	46,055
Europe:					
Third parties	7,426	7,131	7,412	4,003	3,632
Related parties	4,921	5,235	4,964	3,341	2,334
	12,347	12,366	12,376	7,344	5,966
Other foreign countries					
Third parties	915	710	652	395	305
Related parties	3,668	3,524	4,802	1,903	2,327
	4,583	4,234	5,454	2,298	2,632

Total consolidated net revenues.....	$83,112	$92,741	$101,169	$48,044	$54,653

</TABLE>

The Company does not allocate assets to reportable segments because all property and equipment are shared by all segments of the Company.

8. SUBSEQUENT EVENTS

On June 30, 1999, the Company consummated a $215.3 million recapitalization (the "Recapitalization"). Under the Recapitalization, new investors, including Chase DJ Partners, L.L.C. ("CDP") and affiliates of CDP, invested new capital of $94.6 million in the Company. In addition, certain members of management invested $1.8 million in equity which was financed by $1.4 million in interest-bearing, full recourse loans from the Company and the Parent retained $5.4 million of the recapitalization value. The proceeds of the equity investment together with $113.5 million of debt financing were used (i) for approximately $199.8 million of consideration paid to redeem a portion of member's equity from the Company's parent, and (ii) approximately $8.7 million of costs and fees paid in association with the Recapitalization.

The consideration paid to the Parent will be increased (decreased) on a dollar for dollar basis to the extent the value of the Company's net operating assets (as defined in the Recapitalization Agreement) on the closing date of the Recapitalization exceeded (was less than) $33.4 million.

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$100,000,000

DJ ORTHOPEDICS, LLC

DJ ORTHOPEDICS CAPITAL CORPORATION

OFFER TO EXCHANGE ALL OUTSTANDING
12 5/8% SENIOR SUBORDINATED NOTES DUE 2009
FOR 12 5/8% SENIOR SUBORDINATED NOTES DUE 2009,
WHICH HAVE BEEN REGISTERED UNDER THE
SECURITIES ACT OF 1933

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[ALTERNATIVE FRONT COVER FOR MARKET-MAKING PROSPECTUS]

Prospectus

DJ ORTHOPEDICS, LLC
DJ ORTHOPEDICS CAPITAL CORPORATION
12 5/8% SENIOR SUBORDINATED NOTES DUE 2009

We issued the 12 5/8% Senior Subordinated Notes due 2009 which have been registered under the Securities Act of 1933 in exchange for our 12 5/8% Senior Subordinated Notes due 2009 in our exchange offer.

MATURITY
- The notes will mature on June 15, 2009.

INTEREST

- Interest on the notes will be payable on June 15 and December 15 of each year, beginning December 15, 1999.

REDEMPTION

- We may redeem some or all of the notes at any time after June 15, 2004.

- We may also redeem up to $35,000,000 of the notes before June 15, 2002 using the proceeds of certain equity offerings.

- The redemption prices are described on page .

CHANGE OF CONTROL

- If we experience a change of control, we must offer to purchase the notes.

SECURITY AND RANKING

- The notes are unsecured. The notes will be subordinated to all of our existing and future senior debt, will rank equally with all of our other senior subordinated debt and will rank senior to all of our future subordinated debt.

GUARANTEES

- If we fail to make payments on the notes, our parent company must make them

instead. This guarantee will be a senior subordinated obligation of our parent company. Our existing subsidiary will not guarantee the notes.

We prepared this prospectus for use by Chase Securities Inc. ("CSI") in connection with offers and sales related to market-making transactions of the new notes. CSI may act as principal or agent in these transactions. These sales will be made at prices related to prevailing market prices at the time of sale. We will not receive any of the proceeds of these sales.

YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS BEGINNING ON PAGE OF THIS PROSPECTUS IN EVALUATING AN INVESTMENT IN THE NEW NOTES.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CHASE SECURITIES INC.

The date of this Prospectus is , 1999

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

[ALTERNATIVE SECTION FOR MARKET-MAKING PROSPECTUS]

TRADING MARKET FOR THE NEW NOTES -- YOU CANNOT BE SURE THAT AN ACTIVE TRADING MARKET WILL DEVELOP FOR THE NEW NOTES.

We do not intend to apply for a listing of the new notes on a securities exchange of any automated dealer quotation system. We have been advised by CSI that as of the date of this prospectus CSI intends to make a market in the new notes. CSI is not obligated to do so, however, and any market-making activities with respect to the new notes may be discontinued at any time without notice. In addition, such market-making activity will be subject to limits imposed by the Securities Act and the Exchange Act. Because CSI is our affiliate, CSI is required to deliver a current "market-making" prospectus and otherwise comply with the registration requirements of the Securities Act in any secondary market sale of the new notes. Accordingly, the ability of CSI to make a market in the new notes may, in part, depend on our ability to maintain a current market-making prospectus.

The liquidity of the trading market in the new notes, and the market price quoted for the new notes, may be adversely affected by changes in the overall market for high yield securities and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, you cannot be sure that an active trading market will develop for the new notes.

[ALTERNATIVE SECTION FOR MARKET-MAKING PROSPECTUS]

USE OF PROCEEDS

This prospectus is delivered in connection with the sale of the new notes by CSI in market-making transactions. We will not receive any of the proceeds from these transactions.

[ALTERNATIVE SECTION FOR MARKET-MAKING PROSPECTUS]

PLAN OF DISTRIBUTION

This prospectus has been prepared for use by CSI in connection with offers and sales of the new notes in market-making transactions effected from time to time. CSI may act as a principal or agent in these transactions, including as agent for the counterparty when acting as principal or as agent for both parties, and may receive compensation in the form of discounts and commissions, including from both counterparties when it acts as agent for both. These sales will be made at prevailing market prices at the time of sale, at prices related thereto or at negotiated prices. The Issuers will not receive any of the proceeds of these sales. The Issuers have agreed to indemnify CSI against certain liabilities, including liabilities under the Securities Act, and to contribute payments which CSI might be required to make in respect thereof.

As of the date of this prospectus, affiliates of CSI own approximately 87.8% of the voting units of DonJoy. See "Security Ownership of Certain Beneficial Owners and Management." CSI has informed the Issuers that it does not

intend to confirm sales of the new notes to any accounts over which it exercises discretionary authority without the prior specific written approval of these transactions by the customer.

The Issuers have been advised by CSI that, subject to applicable laws and regulations, CSI currently intends to make a market in the new notes following completion of the exchange offer. However, CSI is not obligated to do so and any such market-making may be interrupted or discontinued at any time without notice. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. There can be no assurance that an active trading market will develop or be sustained. See "Risk Factors -- Trading Market for the New Notes."

[ALTERNATIVE BACK COVER FOR MARKET-MAKING PROSPECTUS]

$100,000,000

DJ ORTHOPEDICS, LLC

DJ ORTHOPEDICS CAPITAL CORPORATION

12 5/8% SENIOR SUBORDINATED NOTES DUE 2009

CHASE SECURITIES INC.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the General Corporation Law of the State of Delaware (the "DGCL") provides for the indemnification of officers and directors under certain circumstances against expenses incurred in successfully defending against a claim and authorizes Delaware corporations to indemnify their officers and directors under certain circumstances against expenses and liabilities incurred in legal proceedings involving such persons because of their being or having been an officer or director. Pursuant to Section 102(b)(7) of the DGCL, the Certificate of Incorporation of DJ Capital provides that the directors of DJ Capital, individually or collectively, shall not be held personally liable to DJ Capital Corp or its stockholders for monetary damages for breaches of fiduciary duty as directors, except that any director shall remain liable (1) for any breach of the director's fiduciary duty of loyalty to DJ Capital Corp or its stockholders, (2) for acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law, (3) for liability under Section 174 of the DGCL or (4) for any transaction from which the director derived an improper personal benefit. The by-laws of DJ Capital provide for indemnification of its officers and directors to the full extent authorized by law.

Section 18-108 of the Delaware Limited Liability Company Act (the "Act") provides that, subject to such standards and restrictions, if any, as are set forth in a limited liability company's operating agreement, a limited liability company may, and shall have the power to, indemnify and hold harmless any member or manager or other person from and against any and all claims and demands whatsoever. The Bylaws of the Company and DonJoy provide that the Company and DonJoy shall, to the fullest extent authorized under the Act, indemnify and hold harmless against all expense, liability and loss (including attorneys' fees, judgments, fines, excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered, any manager or officer of the Company or DonJoy, as the case may be, including indemnification for negligence or gross negligence but excluding indemnification (i) for acts or omissions involving actual fraud or willful misconduct or (ii) with respect to any transaction from which the indemnitee derived an improper personal benefit.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) EXHIBITS

<TABLE>
<C> <S>
3.1 Amended and Restated Operating Agreement of dj Orthopedics, LLC
3.2 Second Amended and Restated Operating Agreement of DonJoy, LLC
3.3 Certificate of Amendment to Certificate of Incorporation of DJ Orthopedics Capital Corporation
3.4 By-laws of dj Orthopedics, LLC
3.5 By-laws of DonJoy, LLC
3.6 By-laws of DJ Orthopedics Capital Corporation
</TABLE>

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<TABLE>

<C>	<S>
4.1	Indenture dated as of June 30, 1999 among the Issuers, DonJoy and The Bank of New York, as Trustee
4.2	Form of New Note (included as Exhibit B to Exhibit 4.1)
4.3	Exchange and Registration Rights Agreement dated as of June 30, 1999 among the Issuers, DonJoy and Chase Securities Inc., as Initial Purchaser
5.1*	Opinion of O'Sullivan Graev & Karabell, LLP
10.1	Recapitalization Agreement dated as of April 29, 1999 among CDP, DonJoy and Smith & Nephew
10.2	Group Research Centre Technology Agreement dated as of June 30, 1999 between DonJoy and Smith & Nephew
10.3	Supply Agreement dated as of June 30, 1999 between DonJoy and Smith & Nephew
10.4	Transition Services Agreement dated as of June 30, 1999 between DonJoy and Smith & Nephew
10.5	Distribution Agreement dated as of June 30, 1999 between DonJoy, Smith & Nephew and the affiliates of Smith & Nephew listed on Schedule I thereto
10.6	CERF Laboratories Agreement dated as of June 30, 1999 between DonJoy and Smith & Nephew
10.7	Subleases dated as of June 30, 1999 between the Company and Smith & Nephew
10.8	Guaranties dated as of June 30, 1999 executed by DonJoy
10.9	Preferred Unit Purchase Agreement dated as of June 30, 1999 among DonJoy, CB Capital and First Union Investors
10.10	Members' Agreement dated as of June 30, 1999 among DonJoy, CDP, CB Capital, First Union Investors, Smith & Nephew and the Management Members
10.11	Credit Agreement dated as of June 30, 1999 among the Issuers, DonJoy, the Lenders party thereto and First Union National Bank, as Administrative Agent
10.12	Indemnity, Subrogation and Contribution Agreement dated as of June 30, 1999 among the Company, DJ Capital and First Union National Bank, as Collateral Agent
10.13	Parent Guarantee Agreement dated as of June 30, 1999 between DonJoy and First Union National Bank, as Collateral Agent
10.14	Subsidiary Guarantee Agreement dated as of June 30, 1999 between DJ Capital and First Union National Bank, as Collateral Agent
10.15	Pledge Agreement dated as of June 30, 1999 among the Company, DonJoy and First Union National Bank, as Collateral Agent
10.16	Security Agreement dated as of June 30, 1999 among the Company, DonJoy, DJ Capital and First Union National Bank, as Collateral Agent
10.17	Leasehold Deed of Trust, Security Agreement and Assignment of Leases and Rents dated as of June 30, 1999 by the Company, as grantor, to First American Title Insurance Company, as trustee
10.18	Employment Agreement dated as of June 30, 1999 between the Company and Leslie H. Cross
10.19	Employment Agreement dated as of June 30, 1999 between the Company and Cyril Talbot III

</TABLE>

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<TABLE>

<C>	<S>
10.20	Employment Agreement dated as of June 30, 1999 between the Company and Michael R. McBrayer
10.21	1999 Option Plan of DonJoy
10.22	Retention Agreement dated December 14, 1998 between Smith & Nephew and Les Cross
10.23	Retention Agreement dated December 14, 1998 between Smith & Nephew and Cy Talbot
10.24	Retention Agreement dated December 14, 1998 between Smith & Nephew and Michael McBrayer
10.25	Retention Agreement dated December 14, 1998 between Smith & Nephew and Chuck Bastyr
10.26	Retention Agreement dated December 14, 1998 between Smith & Nephew and Peter Bray
12.1	Statement re: computation of ratios of earning to fixed charges
21.1	Subsidiaries of the Registrants
23.1*	Consent of O'Sullivan Graev & Karabell, LLP (included in Exhibit 5.1)
23.2	Consent of Ernst & Young LLP

24.1 Powers of Attorney (included on the signature pages)
25.1 Statement of Eligibility and Qualifications under the Trust Indenture Act of 1939 of The Bank of New York as Trustee
27.1 Financial Data Schedule
99.1* Form of Letter of Transmittal
99.2* Form of Notice of Guaranteed Delivery
99.3* Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees
99.4* Form of Letter to Clients
</TABLE>

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* To be filed by amendment

(b) FINANCIAL STATEMENT SCHEDULES

Schedules other than the above have been omitted because they are either not applicable or the required information has been disclosed in the financial statements or notes thereto.

ITEM 22. UNDERTAKINGS.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrants pursuant to the Corporation Law, the Certificate of Incorporation and By-laws, or otherwise, the Registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrants of expenses incurred or paid by a director, officer or controlling person of the Registrants in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrants will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of

appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrants hereby undertake:

1. To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement;

(a) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(b) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in the volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(c) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

2. That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

3. To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering; and

4. That, for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

The undersigned Registrants hereby undertake to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11 or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

The undersigned Registrants hereby undertake to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, on the 9th day of September, 1999.

DJ ORTHOPEDICS, LLC

By: /s/ LESLIE H. CROSS

Leslie H. Cross
President and Chief Executive Officer

POWER OF ATTORNEY

We, the undersigned members of the Board of Managers and officers of DJ ORTHOPEDICS, LLC, do hereby constitute and appoint LESLIE H. CROSS and JOHN J. DAILEADER, or either of them, our true and lawful attorneys and agents, to do any and all acts and things in our name and on our behalf in our capacities as directors and officers and to execute any and all instruments for us and in our names in the capacities indicated below, which said attorneys and agents, or either of them, may deem necessary or advisable to enable said Company to comply with the Securities Act of 1933 and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with this Registration Statement, including specifically, but without limitation, power and authority to sign for us or any of us in our names in the capacities indicated below, any and all amendments (including post-effective amendments) hereto; and we do hereby ratify and confirm all that said attorneys and agents, or either of them, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<S>	<C>	<C>
/s/ LESLIE H. CROSS Leslie H. Cross	President, Chief Executive Officer and Manager (Principal Executive Officer)	September 9, 1999
/s/ CYRIL TALBOT III Cyril Talbot III	Vice President, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	September 9, 1999
/s/ CHARLES T. ORSATTI Charles T. Orsatti	Manager	September 9, 1999
/s/ MITCHELL J. BLUTT, M.D. Mitchell J. Blutt, M.D.	Manager	September 9, 1999
/s/ SHAHAN D. SOGHIKIAN Shahan D. Soghikian	Manager	September 9, 1999
/s/ DAMION E. WICKER, M.D. Damion E. Wicker, M.D.	Manager	September 9, 1999
/s/ JOHN J. DAILEADER	Manager	September 9, 1999

John J. Daileader

/s/ IVAN R. SABEL	Manager	September 9, 1999
Ivan R. Sabel		

</TABLE>

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, on the 9th day of September, 1999.

DJ ORTHOPEDICS CAPITAL CORPORATION

By: /s/ LESLIE H. CROSS
Leslie H. Cross
President and Chief Executive Officer

POWER OF ATTORNEY

We, the undersigned directors and officers of DJ ORTHOPEDICS CAPITAL CORPORATION, do hereby constitute and appoint LESLIE H. CROSS and JOHN J. DAILEADER, or either of them, our true and lawful attorneys and agents, to do any and all acts and things in our name and on our behalf in our capacities as directors and officers and to execute any and all instruments for us and in our names in the capacities indicated below, which said attorneys and agents, or either of them, may deem necessary or advisable to enable said Company to comply with the Securities Act of 1933 and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with this Registration Statement, including specifically, but without limitation, power and authority to sign for us or any of us in our names in the capacities indicated below, any and all amendments (including post-effective amendments) hereto; and we do hereby ratify and confirm all that said attorneys and agents, or either of them, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<S>	<C>	<C>
/s/ LESLIE H. CROSS Leslie H. Cross	President, Chief Executive Officer and Manager (Principal Executive Officer)	September 9, 1999
/s/ CYRIL TALBOT III Cyril Talbot III	Vice President, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	September 9, 1999
/s/ CHARLES T. ORSATTI Charles T. Orsatti	Director	September 9, 1999
/s/ MITCHELL J. BLUTT, M.D. Mitchell J. Blutt, M.D.	Director	September 9, 1999
/s/ SHAHAN D. SOGHIKIAN Shahan D. Soghikian	Director	September 9, 1999
/s/ DAMION E. WICKER, M.D. Damion E. Wicker, M.D.	Director	September 9, 1999
/s/ JOHN J. DAILEADER John J. Daileader	Director	September 9, 1999
/s/ IVAN R. SABEL Ivan R. Sabel	Director	September 9, 1999

</TABLE>

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, on the 9th day of September, 1999.

DONJOY, L.L.C.

By: /s/ LESLIE H. CROSS

Leslie H. Cross
President and Chief Executive Officer

POWER OF ATTORNEY

We, the undersigned members of the Board of Managers and officers of DONJOY, L.L.C., do hereby constitute and appoint LESLIE H. CROSS and JOHN J. DAILEADER, or either of them, our true and lawful attorneys and agents, to do any and all acts and things in our name and on our behalf in our capacities as directors and officers and to execute any and all instruments for us and in our names in the capacities indicated below, which said attorneys and agents, or either of them, may deem necessary or advisable to enable said Company to comply with the Securities Act of 1933 and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with this Registration Statement, including specifically, but without limitation, power and authority to sign for us or any of us in our names in the capacities indicated below, any and all amendments (including post-effective amendments) hereto; and we do hereby ratify and confirm all that said attorneys and agents, or either of them, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

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SIGNATURE	TITLE	DATE
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/s/ CHARLES T. ORSATTI Charles T. Orsatti	Manager	September 9, 1999
/s/ MITCHELL J. BLUTT, M.D. Mitchell J. Blutt, M.D.	Manager	September 9, 1999
/s/ SHAHAN D. SOGHIKIAN Shahan D. Soghikian	Manager	September 9, 1999
/s/ DAMION E. WICKER, M.D. Damion E. Wicker, M.D.	Manager	September 9, 1999
/s/ JOHN J. DAILEADER John J. Daileader	Manager	September 9, 1999
/s/ IVAN R. SABEL Ivan R. Sabel	Manager	September 9, 1999

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3.3	Certificate of Amendment to Certificate of Incorporation of DJ Orthopedics Capital Corporation
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3.5	By-Laws of DonJoy, L.L.C.
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10.11	Credit Agreement dated as of June 30, 1999 among the Issuers, DonJoy, the Lenders party thereto and First Union National Bank, as Administrative Agent
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23.2 Consent of Ernst & Young LLP
24.1 Powers of Attorney (included on the signature pages)
25.1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of The Bank of New York as Trustee
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* To be filed by amendment

EXHIBIT 3.1

AMENDED AND RESTATED OPERATING AGREEMENT

OF

DJ ORTHOPEDICS, LLC

AMENDED AND RESTATED OPERATING AGREEMENT (the "Agreement") of DJ Orthopedics, LLC, a Delaware limited liability company, made effective as of June 30, 1999 by DonJoy, L.L.C., a Delaware limited liability company, as the sole member (the "Member").

1. Formation of the Company. By execution of this Agreement, the Member hereby ratifies, confirms and approves any and all actions taken by Todd H. Greene as its duly authorized agent, including, without limitation, the filing of a certificate of formation (the "Certificate") with the Secretary of State of Delaware for the purpose of forming DJ Orthopedics, LLC (the "Company"), a limited liability company formed under the Delaware Limited Liability Company Act, Del. C. Section 18-101, et seq. (the "Act"), and any other actions taken regarding the qualification of the Company to do business in various states of the United States of America.

2. Name of the Company. The name of the Company stated in the Certificate and the limited liability company governed by this Agreement is DJ Orthopedics, LLC.

3. Purpose. This Company is formed for the object and purpose of, and the nature of the business to be conducted and promoted by the Company is, engaging in any lawful act or activity for which limited liability companies may be formed under the Act and engaging in any and all activities necessary or incidental to the foregoing.

4. Registered Office; Registered Agent. The registered office of the Company in the State of Delaware is located at 9 East Loockerman Street, City of Dover, County of Kent. The registered agent of the Company at such address is National Registered Agents, Inc.

5. Membership Units. The Company shall be authorized to issue one hundred (100) membership units ("Membership Units"), all of which shall be issued to the Member. Membership Units shall for all purposes be personal property.

6. Certificate of Membership Units. The Company shall issue to the Member a limited liability company certificate in the form annexed hereto as Exhibit A

(a "Certificate"), evidencing the Membership Units in the Company held by such Member. The Certificate shall be transferable only on the books of the Company, to be kept by the Secretary of the Company, on surrender thereof by the registered holder in person or by attorney, and until so transferred, the Company may treat the registered holder of a Certificate as the owner of the interest evidenced thereby for all purposes whatsoever. Nothing contained in this Section 6 shall authorize or permit the Member to transfer its interest except as contemplated by Section 8. For the purposes of Article 8 in any Uniform Commercial Code, each interest in the Company as evidenced by a Certificate shall be deemed to be a security, as such term is defined in any Uniform Commercial Code.

7. Agreement to Pledge Membership Units. Notwithstanding any provision herein to the contrary, the Member shall pledge such Member's Membership Units in the Company to secure the indebtedness of the Company or its subsidiaries. The Member hereby agrees to take any and all actions and execute such instruments, agreements and other documents to effect the pledge of such Member's Membership Units.

8. Pledge of Membership Units. To secure, among other things, the payment and performance of the obligations of the Company under that certain Credit Agreement which is to be entered into and dated as of June 30, 1999, among First Union National Bank as Administrative Agent and collateral agent (in such capacity the "Collateral Agent"), The Chase Manhattan Bank ("Chase") as Issuing Bank, Administrative Agent and Syndication Agent, the Lenders from time to time party thereto, the Member as Parent and the Company (as amended from time to time, the "Credit Agreement"), the Member will pledge 100% of its Membership Units in the Company to the Collateral Agent, for the benefit of itself and the other Secured Parties (as defined in the Credit Agreement). Such pledge is hereby authorized by the Member and the Company. The books and records of the Company shall be marked to reflect the pledge of the Membership Units to the Collateral Agent, for the benefit of itself and the other Secured Parties. For so long as any Loans (as defined in the Credit Agreement) remain outstanding, no Membership Interest or any rights relating thereto will be transferred or further encumbered and no new Members will be admitted without the written consent of the Collateral Agent and, if the Company is advised by the Collateral Agent that an event of default has occurred under the Credit Agreement, the Company will comply with the provisions of the Pledge Agreement (as defined in the Credit Agreement) which is to be entered into and dated as of June 30, 1999. No exercise by the Collateral Agent of its rights under such Pledge Agreement shall constitute a violation of or be prohibited by this Agreement and the Collateral Agent shall become a member upon such exercise.

9. Capital Contribution by the Member. The Member has contributed to the Company on the date hereof, by delivery of a counterpart of a Bill of Sale, Assignment and Assumption Agreement providing for the sale and transfer of certain assets and liabilities to the Company for less than the fair market

value of such assets (net of such liabilities); such difference shall be treated as a contribution to capital by the Member. The Member shall not be obligated to make any further capital contributions to the Company and the Membership Units shall not be assessable by the Company.

10. Allocation of Profits and Losses. The Company's profits and losses shall be allocated entirely to the Member, and the Member's distributive share of income, gain, loss, deduction, or credit (or item thereof) shall be determined and allocated in accordance with this Section 10 to the fullest extent permitted by Sections 704(b) and (c) of the Internal Revenue Code of 1986, as amended, and the treasury regulations promulgated thereunder.

11. Distributions. Subject to any limitations on distributions set forth in any agreements with respect to indebtedness of the Company, distributions shall be made to the Member at the times and in the aggregate amounts determined by the Board of Managers (the "Board") of the Company.

12. Management of the Company. Subject to the delegation of rights and powers provided for herein and in the By-laws of the Company (as such By-laws may be amended from time to time, and as such are expressly incorporated by reference into this Agreement and made a part hereof), the Board shall have the sole right to manage the business of the Company and shall have all powers and rights necessary, appropriate or advisable to effectuate and carry out the purposes and business of the Company. The Board of Managers shall consist of that number of managers as shall be selected by the Member.

13. Execution of Contracts, Assignments, etc. All contracts, agreements, endorsements, assignments, transfers, stock powers, or other instruments shall be signed by the Chief Executive Officer, and President, any Vice President, Chief Financial Officer, any Secretary or any Assistant Secretary, except where required or permitted by law to be otherwise signed, and except when the signing and execution thereof shall be expressly delegated by the Board to some other officer and agent of the Company.

14. Limitations on Authority. The authority of the Board over the conduct of the business and affairs of the Company shall be subject only to such limitations as are expressly stated in this Agreement or in the Act.

15. Indemnification. The Company shall, to the fullest extent authorized by the Act, indemnify and hold harmless the Member, any member of the Board, or any officer or employee of the Company from and against any and all claims and demands arising by reason of the fact that such person is, or was, the Member, member of the Board, officer or employee of the Company.

16. Dissolution. The Company shall dissolve, and its affairs shall be wound up, upon the first to occur of the following: (a) the written consent of

the Board to such effect; and (b) the entry of a decree of judicial dissolution under Section 18-802 of the Act.

17. Consents. Any action that may be taken by the Member at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by the Member.

18. Amendments. Except as otherwise provided in this Agreement or in the Act, this Agreement may be amended only by the written consent of the Member to such effect.

19. Governing Law. This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of Delaware.

* * * * *

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IN WITNESS WHEREOF, the undersigned have duly executed this Amended and Restated Operating Agreement as of the date first written above.

DONJOY, L.L.C.

By: /s/ Leslie H. Cross

Name: Leslie H. Cross
Title: President and CEO

DJ ORTHOPEDICS, LLC

By: /s/ Leslie H. Cross

Name: Leslie H. Cross
Title: President and CEO

DONJOY, L.L.C.

(A DELAWARE LIMITED LIABILITY COMPANY)

SECOND AMENDED AND RESTATED OPERATING AGREEMENT

JULY 30, 1999

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SCHEDULES AND EXHIBITS

SCHEDULES

Schedule I - Schedule of Members

EXHIBITS

Exhibit A - Bylaws of the Company

Exhibit B - Certificate of Formation

Exhibit C - Common Certificate

Exhibit D - Preferred Certificate

SECOND AMENDED AND RESTATED OPERATING AGREEMENT dated as of July 30, 1999 of DONJOY, L.L.C., a Delaware limited liability company (the "Company"), among the parties listed on SCHEDULE I.

Certain of the parties originally entered into an Operating Agreement dated as of December 31, 1998 (the "Original Agreement") for the purpose of forming a limited liability company pursuant to the provisions of the Delaware Limited Liability Company Act, 6 Del. C. Section 18-101 et seq. (the "Delaware Act").

Certain of the parties subsequently entered into an Amended and Restated Operating Agreement dated as of June 30, 1999 (the "Amended Agreement"), which amended and restated the Original Agreement.

The parties wish to amend and restate the Amended Agreement as set forth herein and to add certain parties hereto.

ACCORDINGLY, in consideration of the mutual covenants and agreements contained in this Agreement, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINED TERMS

1.1 DEFINED TERMS.

(a) The defined terms used in this Agreement shall, unless the context otherwise requires, have the meanings specified in this ARTICLE I:

"Amended Agreement" shall have the meaning ascribed to such term in the caption to this Agreement.

"Applicable Percentage" shall have the meaning ascribed to such term in Section 3.5.

"Bank Indebtedness" shall have the meaning ascribed to such term in the Indenture.

"Board of Managers" means the board of managers of the Company.

"Board's Determination" is defined in the definition of Fair Market Value.

"Bylaws" means the Bylaws of the Company as amended from time to time and the initial form of which is attached hereto as EXHIBIT A.

"Capital Contribution" means, with respect to any Member, the amount of capital contributed by such Member to the Company, as determined in accordance with ARTICLE VI.

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"Certificate" has the meaning ascribed to such term in Section 2.3(a).

"Change of Control" shall have the meaning ascribed to such term in the Indenture.

"Change of Control Notice" shall have the meaning ascribed to such term in Section 3.5(b).

"Chase" means Chase DJ Partners, LLC.

"Common Certificate" shall have the meaning ascribed to such term in Section 3.1(c).

"Common Unit" means one common unit of the Company providing the holder thereof to the rights provided by this Agreement.

"Company" shall have the meaning ascribed to such term in the caption to this Agreement.

"Cumulated Preferred Return" is defined in the definition of Unreturned Original Cost.

"Delaware Act" has the meaning ascribed to such term in the caption to this Agreement.

"Determination Notice" is defined in the definition of Fair Market Value.

"DJO" means DJ Orthopedics, LLC, a Delaware limited liability company and wholly-owned subsidiary of the Company.

"Event of Non-Compliance" has the meaning ascribed to such term in Section 3.4(b).

"Event of Withdrawal of a Member" means, (i) with respect to a Member that is an entity, the bankruptcy or dissolution of such Member or (ii) the occurrence of any other similar event that terminates the continued membership of a Member in the Company.

"Fair Market Value" shall mean, as of any date of determination, the Fair Value of each Paid Preferred Unit, determined as follows: At any time that the Fair Market Value shall be required to be determined hereunder, the Board of Managers shall make a good faith determination (the "Board's Determination") of the Fair Value of each Paid Preferred Unit within 30 days of the delivery by a Member to the Company of an exercise notice with respect to the Put Right, and the Board of Managers shall provide to the Member with respect to whose Paid Preferred Unit such determination is being made a written notice of the Board's Determination which notice shall set forth supporting data in respect of such calculation (the "Determination Notice"). The Member shall have 10 days following receipt of the Determination Notice within which to deliver to the Company a written notice (the "Objection Notice") of an objection, if any, to the Board's Determination, which Objection Notice shall set forth the Member's good faith

determination (the "Member's Determination") of the Fair Value of each Paid Preferred Unit. The failure by the Member to deliver the Objection Notice within such 10-day period shall constitute the Member's acceptance of the Board's Determination as conclusive. In the event of the timely delivery of an Objection Notice, the Company and the Member shall attempt in good faith to arrive at an agreement with respect to the Fair Value, which agreement shall be set forth in writing within 15 days following delivery of the Objection Notice. If the Company and the Member are unable to reach an agreement within such 15-day period, the matter shall be promptly referred for determination to a regionally or nationally recognized investment banking or valuation firm (the "Valuer") reasonably acceptable to the Company and the Member. The Company and the Member will cooperate with each other in good faith to select such Valuer. The Valuer may select the Board's Determination or the Member's Determination as the Fair Value or may select any other amount. The Valuer's selection will be furnished to the Company and the Member in writing and conclusive and binding upon the Company and the Member. The fees and expenses of the Valuer shall be borne equally by the Company and the Member with respect to whose Paid Preferred Units such determination relates.

"Fair Value" shall mean an amount per Paid Preferred Unit (calculated on a fully diluted basis, including the exercise of all outstanding warrants, options and other similar rights to purchase Common Units) assuming that the Company (or DJO and each other Subsidiary) is sold to an unaffiliated third Person as a going concern; provided that no discount for (i) lack of liquidity of such Paid Preferred Unit, or (ii) such Paid Preferred Unit's (or such Paid Preferred Unit holder's) minority position in the Company, shall be applied.

"First Union" shall have the meaning ascribed to such term in Section 5.3.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by (or which customarily would be evidenced by) bonds, debentures, notes or similar instruments, (c) all reimbursement obligations of such Person with respect to letters of credit and similar instruments, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property or assets purchased by such Person, (e) all obligations of such Person incurred, issued or assumed as the deferred purchase price of property or services other than accounts payable incurred and paid on terms customary in the business of such Person (it being understood that the "deferred purchase price" in connection with any purchase of property or assets shall include only that portion of the purchase price which shall be deferred beyond the date on which the purchase is actually consummated), (f) all obligations secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (g) all obligations of such Person under forward sales, futures, options and other similar hedging arrangements (including interest rate hedging or protection agreements), (h) all obligations of such Person to purchase or otherwise pay for merchandise, materials, supplies, services or other property under an arrangement which provides that payment for such merchandise, materials, supplies, services or other property shall be made regardless of whether delivery of such merchandise, materials, supplies, services or other property is ever made or tendered, (i) all guaranties by such Person of obligations of others and (j) all capitalized lease obligations of such Person.

"Indenture" means that certain Indenture dated June 30, 1999 among DJO and DJ Orthopedics Capital Corporation, a Delaware corporation, as issuers, the Company, as guarantor, and The Bank of New York as trustee relating to the issuers' 12 5/8% Senior Subordinated Notes due 2009.

"Interest" means the ownership interest of a Member in the Company as represented by such Member's Units, consisting of (i) such Member's right to receive a portion of distributions, (ii) such Member's right to vote or grant or withhold consents with respect to Company matters as provided herein or in the Delaware Act and (iii) such Member's other rights and privileges as provided herein or in the Delaware Act.

"Internal Revenue Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"IPO" shall have the meaning ascribed to such term in Section 3.5(a).

"IRR" means, with respect to any Preferred Unit, the pre-tax, compounded annual internal rate of return realized thereon, including, as a return on such Preferred Unit, any (i) portion of the Application Fee and the Closing Fee (as such terms are defined in the Preferred Unit Purchase Agreement) paid to the original holder of such Preferred Unit with respect to such Preferred Unit pursuant to the Preferred Unit Purchase Agreement, (ii) proceeds from the sale or other disposition (including a redemption by the Company) of the related Paid Preferred Unit at the time that payment with respect to such Preferred Unit is made in accordance with Section 3.5(a), and (iii) cash distributions made by the Company or any Subsidiary thereof in respect of such Preferred Unit (other than tax distributions in respect of income allocated to the holder of such Preferred Unit in respect of the Preferred Return thereon (i.e., distributions pursuant to Section 6.3(a) with respect to income allocated to such Preferred Unit pursuant to clause 2 and 3 of Section 6.2(a)(iii)(A)(first)), provided that such tax distributions in respect of Preferred Return shall be treated for purposes of the calculation as if the aggregate amount thereof was received on the day such Preferred Unit became a Paid Preferred Unit).

"Liquidation Event" shall mean any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company.

"Majority in Interest of Members" means, at any time, the Members who hold in the aggregate greater than 50% of the number of Units outstanding at such time.

"Majority in Interest of Preferred Members" means, at any time, the Members who hold in the aggregate greater than 50% of the number of Preferred Units outstanding at such time.

"Management Members" shall have the meaning ascribed to such term in Section 6.1(a).

"Manager" means a member of the Board of Managers as designated in, or selected pursuant to, Section 4.1.

"Mandatory Redemption Date" means December 31, 2009.

"Member" shall mean any Person holding a Unit or any Person who shall be admitted as an additional or substituted Member pursuant to this Agreement, for so long as they remain Members.

"Members' Agreement" means the Members' Agreement dated as of June 30, 1999, among the Company and certain holders of Units, as amended from time to time.

"Member's Determination" is defined in the definition of Fair Market Value.

"Net Profits and Net Losses" means the net taxable income or net taxable loss of the Company, respectively, as determined for federal income tax purposes, for each fiscal year of the Company, plus any income that is exempt from federal income tax and minus expenditures that are not deductible in computing federal taxable income and not properly chargeable to capital accounts, in each case to the extent such items are not otherwise taken into account in computing Net Profits or Net Losses; provided however that (i) items of income, gain, loss and deduction attributable to Section 704(c) Property shall be determined in accordance with the principles of Treasury Regulation Section 1.704-1(b)(2)(iv)(g) and (ii) the Net Profits and Net Losses of the Company shall be computed without regard to the amount of any items of income, gain, loss or deduction that are specially allocated pursuant to Section 6.2(c)(ii).

"Non-Compliance" shall have the meaning ascribed to such term in Section 3.4.

"Objection Notice" is defined in the definition of Fair Market Value.

"Original Agreement" shall have the meaning ascribed to such term in the caption to this Agreement.

"Paid Preferred Unit" has the meaning ascribed to such term in Section 3.5(d).

"Payment Right" has the meaning ascribed to such term in Section 3.5(b)(iii).

"Person" shall be construed broadly and shall include an individual, a partnership, a corporation, an association, a joint stock company, a limited liability company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"Preferred Certificate" shall have the meaning ascribed to such term in Section 3.1(c).

"Preferred Contribution Amount" is defined in the definition of Unreturned Original Cost.

"Preferred Liquidation Preference" shall have the meaning ascribed to such term in Section 3.3(b).

"Preferred Managers" shall have the meaning ascribed to such term in Section 3.4(c).

"Preferred Return" shall have the meaning ascribed to such term in Section 3.3(a).

"Preferred Unit" means one preferred unit of the Company providing the holder thereof to the rights provided by this Agreement and shall include a Paid Preferred Unit.

"Preferred Unit Purchase Agreement" shall mean the Preferred Unit Purchase Agreement, dated as of June 30 1999, by and among the Company and the purchasers named therein.

"Put Right" has the meaning ascribed to such term in Section 3.5(b)(ii).

"Quarterly Payment Date" has the meaning ascribed to such term in Section 3.3(a).

"Recapitalization Agreement" shall have the meaning ascribed to such term in Section 6.1(a).

"Regulatory Requirement" shall have the meaning ascribed to such term in Section 5.4.

"Related Documents" shall mean each of (i) this Agreement, (ii) the Preferred Unit Purchase Agreement, and (iii) the Members' Agreement.

"S&N" shall have the meaning ascribed to such term in Section 6.1(a).

"Securities Act" means the Securities Act of 1933, as amended, or any similar federal law then in force.

"Subsidiary" of any Person means any corporation, association, partnership, limited liability company or other business entity of which more than 50% of the total voting power of equity interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, representatives, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by: (1) such Person, (2) such Person and one or more Subsidiaries of such Person, or (3) one or more Subsidiaries of such Person.

"Taxable Amount" is defined in the definition of Taxable Income Distribution Amount.

"Taxable Income Distribution Amount" means an amount determined as follows: (1)(A) all taxable income and gains of the Company allocated to a Member for any calendar year pursuant to the first sentence of Section 6.2(d) excluding any allocations made pursuant to the second sentence of Section 6.2(d) (the "Taxable Amount") less (B) an amount (not to exceed the Taxable Amount for such calendar year) equal to all losses of the Company allocated to such Member pursuant to the first sentence of Section 6.2(d) in any of the three prior calendar years that have not been previously subtracted pursuant to this clause (B) from the

Taxable Amount for any prior calendar year, multiplied by (2) forty four percent (44%).

"Transfer" shall have the meaning set forth in Section 7.1.

"TCW" shall mean DJC, Inc., a Delaware corporation.

"TCW Members" shall mean TCW; TCW/Crescent Mezzanine Trust II; TCW Leveraged Income Trust II, L.P.; and Crescent/MACH I Partners, L.P.

"Units" means, collectively, the Common Units and Preferred Units of the Company.

"Unreturned Original Cost" means, with respect to a Preferred Unit that is not a Paid Preferred Unit, an amount equal to the sum of (i) the amount of the original capital contribution with respect to such Preferred Unit ("Preferred Contribution Amount"), and (ii) the aggregate amount of all accrued Preferred Return with respect to such Preferred Unit added to the Unreturned Original Cost thereof pursuant to Section 3.3(a) ("Cumulated Preferred Return"), as such amounts shall be equitably adjusted for any splits, distributions, recapitalizations, reorganizations, reclassifications or combinations of Preferred Units.

"Valuer" is defined in the definition of Fair Market Value.

1.2 INTERPRETATION OF DEFINED TERMS.

(a) The title of and the section and paragraph headings in this Agreement are for convenience of reference only and shall not govern the interpretation of any of the terms or provisions of this Agreement.

(b) The use herein of the masculine, feminine or neuter forms shall also denote the other forms, as in each case the context may require.

ARTICLE II

ORGANIZATION

2.1 COMPANY NAME AND ADDRESS.

(a) The name of the Company shall be "DonJoy, L.L.C." or such other name as the Board of Managers may from time to time hereafter designate.

(b) The principal office of the Company, and such additional offices as the Board of Managers may determine to establish, shall be located at such place or places inside or outside the State of Delaware as the Board of Managers may designate from time to time.

(c) The registered office of the Company in the State of Delaware is located at 9 East Loockerman Street, Dover, County of Kent, Delaware 19901. The registered agent of the Company for service of process at such address is National Registered Agents, Inc.

2.2 PURPOSE.

The purpose of the Company shall be to engage in any lawful business that may be engaged in by a limited liability company organized under the Delaware Act, as such business activities may be determined by the Board of Managers from time to time.

2.3 PREVIOUS ACTIONS.

(a) The Company was formed upon the execution and filing by Sheri Roberts (such Person being hereby authorized to take such action) with the Secretary of State of the State of Delaware of a certificate of formation of the Company (the "Certificate") in the form attached hereto as EXHIBIT B on December 29, 1998.

(b) Upon the execution and delivery of this Agreement by the requisite parties necessary to amend the Amended Agreement pursuant to Section 10.2

thereof, the Amended Agreement shall be amended and restated as set forth herein and this Agreement shall be in full force and effect.

(c) The parties hereto hereby ratify and confirm the filing of the Certificate and adopt and approve the Bylaws in the form of EXHIBIT A hereto; the Bylaws are expressly incorporated by reference into this Agreement, and made a part hereof.

ARTICLE III

UNITS

3.1 GENERAL.

(a) The Company shall be authorized to issue from time to time up to 3,000,000 Units, of which 2,900,000 Units shall be designated Common Units and 100,000 Units shall be designated Preferred Units. Such Units may be issued pursuant to such agreements as the Board of Managers or a committee thereof shall approve, including pursuant to options or warrants. The Board of Managers shall have the right and authority to amend this Agreement or the Schedules hereto to reflect the admission of holders of Units and to reflect the rights of such holders hereunder.

(b) Except as specifically provided in this Agreement, each Unit, whether designated as Preferred Unit or Common Unit, shall be identical.

(c) The Company shall issue to each Member who owns Common Units a limited liability company certificate with respect to such Common Units in the form attached hereto as EXHIBIT C (a "Common Certificate"), evidencing the Common Units held by such Member. The Company shall issue to each Member who owns Preferred Units a limited liability company certificate with respect to such Preferred Units in the form attached hereto as EXHIBIT D (a "Preferred Certificate"), evidencing the Preferred Units held by such Member. Each Common Certificate and Preferred Certificate shall be transferable only on the books of the Company, to

be kept by the Secretary of the Company, on surrender thereof by the registered holder in person or by attorney, and until so transferred, the Company may treat the registered holder of a Common Certificate or Preferred Certificate as the owner of the Interest evidenced thereby for all purposes. Nothing contained in this Section 3.1 shall authorize or permit any Member to transfer its Units except as contemplated by Article VII.

(d) For the purposes of Article 8 in any Uniform Commercial Code, each Unit of the Company as evidenced by a Common Certificate or Preferred Certificate shall be deemed to be a security, as such term is defined in any Uniform Commercial Code.

3.2 VOTING OF UNITS.

Except as otherwise required by applicable law or as set forth herein or in the Members' Agreement, the holders of the Common Units and the holders of the Preferred Units shall vote together as a single class on all matters to be voted on by the Members. Except as otherwise set forth herein, each Unit shall entitle the holder thereof to one vote.

3.3 PREFERRED DISTRIBUTIONS, LIQUIDATION PREFERENCE.

(a) Distributions. Each Preferred Unit (other than a Paid Preferred Unit) shall accrue a preferred return in an amount equal to 14.0% per annum (subject to increase as provided below), multiplied by the Unreturned Original Cost for such Preferred Unit (such product, the "Preferred Return"). The Preferred Return shall accrue on a daily basis from the date of issuance of each Preferred Unit. Each March 31, June 30, September 30 and December 31 shall be referred to as a "Quarterly Payment Date". If the Company shall fail to distribute in cash all of a quarter's accrued Preferred Return with respect to a Preferred Unit on the applicable Quarterly Payment Date, then, subject to the last sentence of Section 3.3(a), the Cumulated Preferred Return for such Preferred Unit shall be increased on such Quarterly Payment Date by any undistributed amount of Preferred Return. If any Preferred Unit is outstanding for less than an entire quarter, the accrual of Preferred Return on such Preferred Unit will be

prorated, based on the number of days such Preferred Unit was outstanding. During an Event of Non-Compliance the rate per annum used to calculate the Preferred Return shall be 16.0% per annum. Cash distributions to holders of Preferred Units pursuant to Section 6.3(a) with respect to income allocated pursuant to clause 2 and 3 of Section 6.2(a)(iii)(A)(first) shall not be deemed to be distributions of Preferred Return for purposes of determining Cumulated Preferred Return pursuant to this Section 3.3(a).

(b) Liquidation Preference. Upon the occurrence of any Liquidation Event, the holders of Preferred Units (other than Paid Preferred Units) then outstanding shall be entitled to receive out of the assets of the Company legally available for distribution to its Members before any payment shall be made to the holders of any Common Units or any other security of the Company junior to the Preferred Units (with respect to rights upon a Liquidation Event, (i) the Preferred Units (other than the Paid Preferred Units) shall rank senior to the Common Units and (ii) the Paid Preferred Units will rank pari passu with the Common Units), a cash distribution in an amount per Preferred Unit (other than a Paid Preferred Unit) equal to the sum of (x) the Unreturned Original Cost of such Preferred Unit plus (y) the aggregate amount of all accrued and unpaid Preferred Return on such Preferred Unit through the date of distribution that has not been

added to the Cumulated Preferred Return less (z) the aggregate amount of all distributions made pursuant to Section 6.3(a) with respect to income allocated pursuant to clause 2 and 3 of Section 6.2(a)(iii)(A)(first) (the "Preferred Liquidation Preference"). If, upon any Liquidation Event, the assets of the Company available for distribution to its Members shall be insufficient to pay the holders of Preferred Units (other than Paid Preferred Units) the full Preferred Liquidation Preference to which they respectively shall be entitled, the holders of such Preferred Units shall share ratably in any distribution of assets according to the respective amounts which would be payable with respect to such Preferred Units held by them upon such distribution if all amounts payable on or with respect to said Preferred Units were paid in full. Upon the payment of the full Preferred Liquidation Preference to which all Preferred Units shall be entitled, each Preferred Unit shall thereafter share ratably with the Common Units in any further distribution of assets pursuant to Section 6.3.

3.4 EVENTS OF NON-COMPLIANCE.

(a) Each of the following shall constitute non-compliance hereunder (each of clauses (i)-(v) below, "Non-Compliance"):

(i) any failure hereunder by the Company to pay or distribute when required any amounts with respect to the Preferred Units (other than the Paid Preferred Units) and such failure continues for ten (10) days after notice from a holder of Preferred Units (other than Paid Preferred Units);

(ii) a material breach of any of the representations, warranties or covenants (other than those referred to in clause (i) above) in any Related Document that continues thirty (30) days after notice of such breach has been delivered by a holder of Preferred Units (other than Paid Preferred Units);

(iii) an event of default under the Bank Indebtedness, the Indenture, any other Indebtedness having an outstanding principal amount of $15,000,000 or more, or, in each case, any related document governing, evidencing or securing the same;

(iv) the Company or any of its Subsidiaries shall (A) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code or any other federal, state or foreign bankruptcy, insolvency or similar law, (B) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (C) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for any such Person or for any substantial part of its property or assets, (D) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (E) make a general assignment for the benefit of creditors, (F) fail generally to pay its debts as they become due or (G) take any corporate or stockholder action in furtherance of any of the foregoing; or

(v) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (A) relief in respect of the Company or any of its Subsidiaries, or of any substantial part of their respective

property or assets, under Title 11 of the United States Code or any other federal, state or foreign bankruptcy, insolvency or similar law, (B) the appointment of a receiver, trustee, custodian, sequestrator or similar official for any such Person or for any substantial part of its property or (C) the winding-up or liquidation of any such Person, and such proceeding, petition or order shall continue unstayed and in effect for a period of 60 consecutive days.

(b) After the occurrence of and during the continuation of Non-Compliance pursuant to clauses (i), (ii) or (iii) of paragraph (a) above, the holders of a majority of Preferred Units (other than Paid Preferred Units) may declare by written notice to the Company that an "Event of Non-Compliance" has occurred. After the occurrence of and during the continuation of Non-Compliance pursuant to clauses (iv) and (v) of paragraph (a) above, an Event of Non-Compliance shall occur automatically.

(c) During the existence of an Event of Non-Compliance, holders of a majority of Preferred Units (other than Paid Preferred Units) shall have the right to nominate two persons ("Preferred Managers") to the Board of Managers of the Company (and all Members hereby agree to take all action required to accomplish the election of such Preferred Managers).

3.5 PAYMENT OF PREFERRED UNITS.

(a) Payments at Option of Company. The Company shall have the right, at its option, to make payments, in accordance with this Section 3.5(a), with respect to one or more Preferred Units that are not Paid Preferred Units to cause such Preferred Units to become Paid Preferred Units. The amount of each such payment with respect to any such Preferred Unit shall be equal to the sum of (A) the Applicable Percentage multiplied by such Preferred Unit's Preferred Contribution Amount, plus (B) the amount of the Cumulated Preferred Return, if any, for such Preferred Unit plus (C) the aggregate amount of all accrued and unpaid Preferred Return on such Preferred Unit through the date of payment that has not been added to Cumulated Preferred Return less (D) the aggregate amount of all distributions made pursuant to Section 6.3(a) with respect to income allocated to such Preferred Unit pursuant to clause 2 and 3 of Section 6.2(a)(iii)(A)(first). Except as reduced in accordance with the further provisions of this Section 3.5(a), the "Applicable Percentage" for any such payment in any period set forth below shall be the percentage set forth below opposite such period.

<TABLE>
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Prior to the first anniversary of the original issuance date of the Preferred Units	105%
On or after the first anniversary and prior to the second anniversary of the original issuance date of the Preferred Units	104%
On or after the second anniversary and prior to the third anniversary of the original issuance date of the Preferred Units	103%
On or after the third anniversary and prior to the fourth	102%

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anniversary of the original issuance date of the Preferred Units	
On or after the fourth anniversary and prior to the fifth anniversary of the original issuance date of the Preferred Units	101%
On or after the fifth anniversary of the original issuance date of the Preferred Units	100%

</TABLE>

The Applicable Percentage shall be reduced, but not below 100%, to the extent necessary so that the amount paid pursuant to this Section 3.5(a), together with all other payments received with respect to such Preferred Unit, does not cause the IRR on such Preferred Unit to exceed, (i) prior to the second anniversary of the date of the original issuance of the Preferred Units, 24%, and (ii) after the second anniversary of the date of the original issuance of the Preferred Units, 22%. In addition, to the extent the Company makes any payments pursuant to this Section 3.5(a) from the proceeds of an initial public offering ("IPO") of its or DJO's equity securities which results in such securities being listed for trading on a nationally recognized stock exchange (including the Nasdaq National Market System), then the Applicable Percentage with respect to up to one-third of the then outstanding Preferred Units (other than Paid Preferred Units) shall be reduced, if such Applicable Percentage would otherwise exceed 101%, to 101%. If the Company elects to make payments under this Section 3.5(a) with respect to fewer than all of the outstanding Preferred Units that are not then Paid Preferred Units, the Company shall make such payments with respect to Preferred Units selected ratably among all holders of Preferred Units that are not Paid Preferred Units, and if the Company is entitled to make payments with respect to certain Preferred Units from the proceeds of an IPO in amounts based on a reduced Applicable Percentage as provided in the immediately preceding sentence, such Preferred Units shall also be selected ratably as aforesaid.

(b) Payments at Option of Holder.

(i) Upon a Change of Control, each holder of Preferred Units that are not Paid Preferred Units shall have the right to require the Company to make payments, in accordance with this Section 3.5(b)(i), with respect to one or more of such Preferred Units in order to cause such Preferred Units to become Paid Preferred Units. The amount of each such payment with respect to any such Preferred Unit shall be equal to the sum of (A) 101% multiplied by such Preferred Unit's Preferred Contribution Amount, plus (B) the amount of the Cumulated Preferred Return, if any, for such Preferred Unit plus (C) the aggregate amount of all accrued and unpaid Preferred Return on such Preferred Unit through the date of payment that has not been added to Cumulated Preferred Return less (D) the aggregate amount of all distributions made pursuant to Section 6.3(a) with respect to income allocated to such Preferred Unit pursuant to clause 2 and 3 of Section 6.2(a)(iii)(A)(first). The Company shall give holders of such Preferred Units notice (the "Change of Control Notice") of the occurrence of a Change of Control in accordance with and at the time required by Section 4.06 of the Indenture. To exercise such option such holder must send written notice of such election to the Company within thirty (30) days

after such Change of Control Notice. The Company shall make the payment required by this Section 3.5(b)(i) within thirty (30) days of receipt of such written notice (or shall notify such holder of the failure of one or more of the applicable conditions); provided, however, that such payment shall be conditioned upon (x) the Company's receipt of any applicable consents required to make such payment (the Company hereby agrees to use its commercially reasonable efforts to obtain such consents), and (y) the Company's compliance with applicable law and documents respecting its Indebtedness; provided, further, however, that notwithstanding the failure of any of the foregoing conditions, any such failure to pay shall constitute Non-Compliance pursuant to Section 3.4(a)(i).

(ii) Each holder of Paid Preferred Units (including any Preferred Unit that becomes a Paid Preferred Unit in accordance with Section 3.5(b)(i)) shall, upon a Change of Control or after the sixth anniversary of the date of the original issuance of the Preferred Units, have the right (the "Put Right") to require the Company to purchase any or all of such holder's Paid Preferred Units, by paying to such holder the Fair Market Value of such Paid Preferred Units; provided that, such Put Right shall be conditioned upon (x) the Company's ability to obtain the financing to make such payment (the Company hereby agrees to use its commercially reasonable efforts to obtain such financing), (y) the Company's receipt of any applicable consents required to make such payment (the Company hereby agrees to use its commercially reasonable efforts to obtain such consents), and (z) the Company's compliance with applicable law and documents respecting its Indebtedness. The Put Right may be exercised by any holder of Paid

Preferred Units by delivery to the Company of a written exercise notice; provided that if the Put Right is triggered by a Change in Control, the holder of Paid Preferred Units may indicate in the notice under Section 3.5(b)(i) that such holder also exercises the Put Right. Within 30 days of receipt thereof, the Company shall either purchase such Paid Preferred Units in accordance with this Section 3.5(b)(ii) (against receipt of the Preferred Certificate representing such Preferred Units), or inform the exercising holder of the failure of one or more of the applicable conditions. Upon the Company making the payment required by this Section 3.5(b)(ii), such Paid Preferred Unit shall cease to be outstanding for any purpose hereunder and shall be cancelled.

(iii) Notwithstanding anything herein to the contrary or any provision of applicable law that but for this paragraph would treat any right to require the Company to make payments with respect to one or more Preferred Units in order to cause such Preferred Units to become Paid Preferred Units and the Put Right (or any right of each holder of Preferred Units to any payment upon a Change of Control) (any such right, a "Payment Right") as an unsubordinated obligation of the Company, such Payment Right shall be subordinated to the indefeasible payment in full of the Obligations (as defined in the Credit Agreement dated as of June 30, 1999 among the Company, DJO, the lenders party thereto, First Union National Bank, as administrative agent and collateral agent, and The Chase Manhattan Bank, as syndication agent) and all obligations of the Company under the Indenture and the Senior Subordinated Notes issued thereunder.

(c) Mandatory Payment.

The Company shall make a payment with respect to each outstanding Preferred Unit (other than Paid Preferred Units) to cause such Preferred Unit to become a Paid Preferred Unit on the Mandatory Redemption Date by distributing to each holder of an outstanding Preferred Unit (other than Paid Preferred Units) an amount equal to the sum of (A) 100% of such Preferred Unit's Preferred Contribution Amount plus (B) the amount of the Cumulated Preferred Return, if any, for such Preferred Unit plus (C) the aggregate amount of all accrued and unpaid Preferred Return on such Preferred Unit through the date of payment that has not been added to Cumulated Preferred Return less (D) the aggregate amount of all distributions made pursuant to Section 6.3(a) with respect to income allocated to such Preferred Unit pursuant to clause 2 and 3 of Section 6.2(a)(iii)(A)(first). Such mandatory payment shall be conditioned upon (i) the Company's receipt of any applicable consents required to make such payment (the Company hereby agrees to use its commercially reasonable efforts to obtain such consents), and (ii) the Company's compliance with applicable law and documents respecting its Indebtedness; provided that notwithstanding the failure of any of the foregoing conditions, any such failure to pay shall constitute Non-Compliance pursuant to Section 3.4(a)(i).

(d) Effect of Payment.

Following the occurrence of a complete payment pursuant to this Section 3.5 (other than Section 3.5(b)(ii)) to any Preferred Unit, such Preferred Unit so paid shall remain outstanding (but the Company may require the holder thereof to surrender the Preferred Certificate representing such Preferred Unit so that the Company may mark upon such Preferred Certificate that such Preferred Unit has been paid) and shall be deemed a "Paid Preferred Unit"; provided, however, that such Paid Preferred Unit shall not be entitled to any of the provisions of Section 3.3, 3.4 and 3.5(a) through (d) (other than Section 3.5(b)(ii)) (but shall be entitled to the rights and obligations associated with each Common Unit existing immediately after the payment pursuant to and subject to the terms of this Agreement).

3.6 COVENANTS APPLICABLE WHILE THE PREFERRED UNITS HAVE UNRETURNED ORIGINAL COST.

(a) Until all Preferred Units have become Paid Preferred Units, the Company shall not issue any additional Preferred Units and shall not issue any other equity securities that are senior to or pari passu with such Preferred Units unless the Company first shall have obtained the affirmative consent of holders of a majority of all Preferred Units that are not Paid Preferred Units.

(b) Neither the Company nor its Subsidiaries shall incur any Indebtedness that contains restrictions on the payment of Preferred Return or the making of payments with respect to Preferred Units (including Paid Preferred Units) that are materially more restrictive than those contained in the Indebtedness of the Company and the Subsidiary existing or created on June 30, 1999.

(c) Unless the Company shall have paid in full in cash the Preferred Return for the most recent quarter on the applicable Quarterly Payment Date, the Company shall not make any distributions to holders of Common Units (or Paid Preferred Units) other than distributions pursuant to Section 6.3(a).

3.7 UNIT SPLITS, UNIT DISTRIBUTIONS, ETC.

(a) The Company shall not in any manner subdivide (by split, distribution or otherwise) or combine (by reverse split or otherwise) the outstanding Preferred Units or Common Units unless all such subdivisions and combinations shall be payable to the holder of each class of units of the Company only in Units of such class.

(b) If the Company shall in any manner subdivide (by split, distribution or otherwise) or combine (by reverse split, combination or otherwise) the outstanding Common Units, then the outstanding Preferred Units shall also be subdivided or combined, as the case may be, to the same extent, and in the same proportion as the Common Units. If the Company shall in any manner subdivide (by split, distribution or otherwise) or combine (by reverse split or otherwise) the outstanding Preferred Units, then the outstanding Common Units shall also be subdivided or combined, as the case may be, to the same extent, and in the same proportion as the Preferred Units.

ARTICLE IV

MANAGEMENT OF THE COMPANY

4.1 BOARD OF MANAGERS; VOTING.

(a) Subject to the delegation of rights and powers provided for herein and the requirements found in the Bylaws, the Board of Managers shall have the sole right to manage the business of the Company and shall have all powers and rights necessary, appropriate or advisable to effectuate and carry out the purposes and business of the Company. The Board of Managers shall consist of at least nine (9) members as designated from time to time in accordance with the Members' Agreement but may be increased to eleven (11) members pursuant to Section 3.4(c) and shall include the super-voting Manager described in the Bylaws. Any or all Managers may be removed as Managers with or without cause by the vote of a Majority in Interest of Members, provided, however, that no Manager may be removed without the consent of the Member or Members who are entitled to nominate such person as a Manager pursuant to the Members' Agreement (or Section 3.4(c) as the case may be); provided, further, however, that any Manager may be removed by the party entitled to nominate such Manager under the Members' Agreement (or Section 3.4(c) as the case may be), and the vacancy created by any former Manager of the Board of Managers may be filled by the party entitled to nominate such former Manager under the Members' Agreement (or Section 3.4(c) as the case may be).

(b) No Member, by reason of such Member's status as such, shall have any authority to act for or bind the Company but shall have only the right to vote on or approve the actions herein specified to be voted on or approved by such Member.

(c) The officers of the Company shall be elected and removed and shall perform such functions, as are provided in the Bylaws. The Board of Managers may appoint, employ, or otherwise contract with such other Persons for the transaction of the business of the Company or the performance of services for or on behalf of the Company as it shall determine in its sole discretion. The Board of Managers may delegate to any officer of the Company or to any such other Person such authority to act on behalf of the Company as the Board of Managers may from time to time deem appropriate in its sole discretion.

(d) Except as otherwise provided by the Board of Managers or in the Bylaws, when the taking of such action has been authorized by the Board of Managers, any

Manager or officer of the Company or any other Person specifically authorized by the Board of Managers may execute any contract or other agreement or document on behalf of the Company and may execute and file on behalf of the Company with the Secretary of State of the State of Delaware any certificates of amendment to the Company's certificate of formation, one or more restated certificates of formation and certificates of merger or consolidation and, upon the dissolution and completion of winding up of the Company, at any time when there are fewer than two Members, or as otherwise provided in the Delaware Act, a certificate of cancellation canceling the Company's certificate of formation.

(e) If a vacancy on the Board of Managers is not filled by the Member or Members entitled to nominate such Manager for such vacant position under the Members' Agreement or Section 3.4(c), as the case may be, within 60 days after such vacancy occurs, such vacancy may thereafter be filled by a majority of the Managers then in office. Managers shall serve until they resign, die, become incapacitated or are removed. Determinations to be made by the Managers in connection with the conduct of the business of the Company shall be made in the manner provided in the Bylaws, unless otherwise specifically provided herein.

4.2 OBSERVER BOARD MATERIALS.

(a) First Union shall have the right to send one non-voting observer to each meeting of the Board of Managers; expenses incurred by such observer to attend such meetings shall be reimbursed by the Company. In such capacity, such observer shall be provided with all materials, information and documents the Company provides the Managers when so provided; provided that such observer shall agree to hold in confidence and trust all materials, information and documents so provided. First Union acknowledges and such observer shall acknowledge that such materials, information and documents may contain material nonpublic information within the meaning of applicable securities law. The Company reserves the right to exclude such observer from any distribution of materials, information and documents, or meeting or portion thereof, when receipt thereof or attendance by such observer could interfere with (i) the attorney-client privilege between the Company (or the Board of Managers) and its counsel, or (ii) contractual confidentiality obligations of the Company, in each case, as determined by the Board of Managers in its reasonable discretion after exercising its reasonable efforts to otherwise resolve the conflict requiring such action to be taken. The Company may also exclude such observer in any situation in which a conflict of interest exists or potentially exists that would require a Manager in a similar situation to excuse himself.

(b) The Company shall provide to TCW copies of all materials, information and documents the Company provides the Managers when so provided; provided that TCW shall hold in confidence and trust all materials, information and documents provided. TCW acknowledges that such materials, information and documents may contain material nonpublic information within the meaning of applicable securities laws.

ARTICLE V

MEMBERS; REPRESENTATIONS

5.1 MEMBERS GENERALLY.

The name and business, mailing or residence address of the Members of the Company are set forth on SCHEDULE I. Schedule I shall be amended from time to time to reflect the names and business, mailing or residence address of each of Persons who shall become Members after the date hereof.

5.2 REPRESENTATIONS WITH RESPECT TO UNITS.

Upon the acquisition of any Units, each Member makes the following representations and warranties to the Company with respect to such Units:

(a) Such Member is acquiring the Units for its own account, for investment and not with a view to the distribution thereof or any interest therein in violation of the Securities Act or applicable state securities laws.

(b) Such Member understands that (i) the Units have not been registered under the Securities Act or applicable state securities laws by reason of their issuance by the Company in a transaction exempt from the registration requirements of the Securities Act and applicable state securities laws and (ii) the Units must be held by such Member indefinitely unless a subsequent

disposition thereof is registered under the Securities Act and applicable state securities laws or is exempt from such registration.

(c) Such Member further understands that the exemption from registration afforded by Rule 144 (the provisions of which are known to such Member) promulgated under the Securities Act depends on the satisfaction of various conditions, and that, if applicable, Rule 144 may afford the basis for sales of the Units acquired hereunder in limited amounts.

(d) Such Member is an "accredited investor" (as defined in Rule 501(a) of Regulation D promulgated under the Securities Act). The Company has made available to such Member or its representatives all agreements, documents, records and books that such Member has requested relating to an investment in the Units which may be acquired by the Member hereunder. Such Member has had an opportunity to ask questions of, and receive answers from, a person or persons acting on behalf of the Company, concerning the terms and conditions of this investment, and answers have been provided to all of such questions to the full satisfaction of such Member. Such Member has such knowledge and experience in financial and business matters that it is capable of evaluating the risks and merits of this investment and to suffer a complete loss of his, her or its investment.

(e) The execution and delivery of this Agreement by such Member has been duly authorized.

5.3 REGULATORY RESTRICTIONS ON FIRST UNION INVESTORS' VOTING RIGHTS.

Notwithstanding anything herein to the contrary, in no event shall (i) any vote, consent, approval or authorization (collectively, for purposes of this Section 5.3, "consent") hereunder of First Union Investors, Inc., or the successors or assigns of its Interest (other than the TCW Members and their successors and assigns) (collectively, "First Union") be required unless the matter subject to such consent would "significantly and adversely affect" the Interest thereof, as such terms are used in Section 225.2(q)(2)(i) of Regulation Y of the Board of Governors of the Federal Reserve System or (ii) any consent of First Union be required if the result of such consent would be to cause the Interest (or any portion thereof) of First Union to be considered "voting securities" for purpose of Regulation Y of the Board of Governors of the Federal Reserve System.

5.4 REGULATORY COMPLIANCE BY FIRST UNION.

Notwithstanding anything herein to the contrary, in the event that First Union determines that, by reason of any future federal or state rule, regulation, guideline, order, interpretive release, request or directive (having the force of law and where the failure to comply therewith would be unlawful) (collectively, a "Regulatory Requirement"), it is effectively restricted or prohibited from holding its Interest (or any equity securities distributable to First Union in any merger, reorganization, readjustment or other reclassification or exchange with respect to the Company or any successor thereof) or otherwise realize upon or receive the benefits intended hereunder, and following First Union's exercise of its reasonable best efforts to overcome such Regulatory Requirement, the Company, the Board of Managers and the Members shall make all reasonable efforts to take such action as First Union may deem to be necessary to permit First Union to comply with such Regulatory Requirement. Such action to be taken may include the Company's authorization or creation of one or more new classes of interest and the modification or amendment of this Agreement or any other documents or instruments executed in connection with the limited liability company interests held by First Union; and, if compliance with such Regulatory Requirement can not be satisfied by such efforts, First Union shall have the right, subject to Section 7.2(b), to freely sell, exchange or otherwise transfer all or such part of its Interest as it determines to be necessary without the consent of the Board of Managers or any other Member to one or more third parties and such assignee(s), upon the written consent of First Union, shall be admitted as a substituted Member(s); provided that notwithstanding anything to the contrary contained herein, any such transfer may not and will not cause the Company to be treated as a "publicly traded partnership" within the meaning of Section 7704(b) of the Code. First Union shall give written notice to the Company, the Board of Managers and the other Members of any such determination and the action or actions necessary to comply with such Regulatory Requirement, and the Company, the Board of Managers and the other Members shall take all steps to comply with such determination as

expeditiously as possible.

ARTICLE VI

CAPITAL CONTRIBUTIONS; CAPITAL ACCOUNTS;
ALLOCATIONS; DISTRIBUTIONS

6.1 CAPITAL CONTRIBUTIONS.

(a) At the time of the closing of the transactions contemplated by the Recapitalization Agreement dated as of April 29, 1999 among Chase, Smith & Nephew, Inc. ("S&N") and the Company (the "Recapitalization Agreement"), the following occurred:

(i) Chase and certain Members listed on Schedule I as "Management Members" contributed the New Membership Interest Purchase Price (as defined in the Recapitalization Agreement) to the Company in exchange for 664,000 Common Units;

(ii) the Company, First Union, and CB Capital Investors, L.P. consummated the transactions contemplated by the Preferred Unit Purchase Agreement; and

(iii) the Company distributed to S&N (1) the Existing Membership Interest Purchase Price (as defined in (and upon the terms and conditions set forth in) the Recapitalization Agreement) in partial redemption of S&N's ownership Interest in the Company (and such redeemed Units representing such ownership Interest shall cease to be outstanding and any Units representing such ownership Interest shall have the status of authorized but unissued Units) and (2) 54,000 Common Units in redemption of the remainder of S&N's prior ownership interests in the Company.

(b) For Federal income tax purposes, the foregoing distribution of cash to S&N shall be treated as a sale to the Company of an undivided interest of each of the business assets as set forth more fully in the Recapitalization Agreement. Moreover, S&N shall be deemed to have contributed to the Company the remaining interests in the business assets in exchange for Units pursuant to Section 721 of the Code.

6.2 CAPITAL ACCOUNTS; ALLOCATIONS.

(a) A separate capital account shall be maintained on the books of the Company for each Member, which shall be adjusted (1) as of December 31 of each year, (2) immediately prior to the acquisition of any Unit by any Person, (3) effective as of the date of sale of the Company (whether by way of asset sale, Unit sale, recapitalization, or merger in which the Members immediately prior to such transaction shall cease to own a majority of all Units owned by all Members) and (4) on the date of dissolution of the Company as follows:

(i) the amount of money and the fair market value of property (net of any liabilities secured by such property that the Company assumes or takes subject to) contributed by such Member to the Company shall be credited to such Member's capital account;

(ii) the amount of any distributions (including (A) the fair market value (as determined by the Board of Managers in good faith) of property other than cash (net of any liabilities that such Member assumes or takes subject to) and (B) any distribution in respect of a payment with respect to Preferred Units in accordance with Section 3.5 hereof) distributed to such Member shall be debited from such Member's capital account; and

(iii) Net Profits (and any items of income or gain specially allocated pursuant to Sections 6.2(b)(iii) and 6.2(c)(ii)) incurred by the Company since the last date on which Net Profits or Net Losses shall have been allocated to the Members shall be credited to such Member's capital account and Net Losses (and any items of loss or deduction that are specially allocated pursuant to Section 6.2(c)(ii)) incurred by the Company since the last date on which Net Losses or Net Profits shall have been allocated to the Members shall be debited to such Member's capital account, which allocations shall be made as follows:

(A) Net Profits (or items of gross income or gain) shall be allocated, first, to the holders of Preferred Units (other than Paid Preferred Units) pro rata until the capital account of each such holder equals an amount equal to the sum of (1) the aggregate Preferred Contribution Amount with respect to all such Preferred Units held by such holder, plus (2) the aggregate amount of the Cumulated Preferred Return, if any, for all such Preferred Units held by such holder plus (3) the aggregate amount of all accrued and unpaid Preferred Return on all such Preferred Units through the date of allocation that has not been added to Cumulated Preferred Return less (4) the aggregate amount of all distributions pursuant to Section 6.3(a) with respect to income allocated pursuant to clause (2) and (3) through the date of allocation (with any such allocations being deemed to be applied first to (1), second to (2), third to (3) and fourth to (4)); and second, to the holders of all Units pro rata according to their respective holdings of such Units (except as otherwise required by Sections 6.2(b)(iii) and 6.2(c)(ii)); and

(B) Net Loss shall be allocated, first, to reverse allocations made pursuant to clause second of Section 6.2(a)(iii)(A), second, to the holders of Common Units pro rata according to their respective holdings of such Common Units until the capital accounts of the holders of Common Units equal zero; third, 100% to the holders of Preferred Units (other than Paid Preferred Units) according to their respective holdings of such Preferred Units until their capital accounts equal zero; and fourth, to the holders of all Units pro rata according to their respective holdings of Units (except as otherwise required by Section 6.2(c)(ii)).

(b) (i) Notwithstanding any provision of this Agreement to the contrary, upon the date of each exercise of each warrant or option issued by the Company, each Member's (including the exercising option holder's or warrant holder's) capital account shall be reallocated (a "Capital Shift") such that after such Capital Shift the ratio of each Member's (including the exercising option holder's or warrant holder's) capital account (in the case of a Member who holds Preferred Units (other than Paid Preferred Units), reduced (but not below $0) by the

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aggregate of all amounts in such Member's capital account attributable to Unreturned Original Cost or to accrued and unpaid Preferred Return through the date of reallocation) to the aggregate of all Members' capital account balances (less any amounts attributable to Unreturned Original Cost or to accrued and unpaid Preferred Return through the date of reallocation on all Preferred Units) shall be the same as the ratio of the number of Units owned by each such Member (including the exercising option holder or warrant holder) to the aggregate number of all Units outstanding.

(ii) Solely for purposes of determining the tax treatment to the Members, the Company will treat (except as otherwise required by applicable law) the exercise of a compensatory option, as though the option holder received a cash payment from the Company in an amount equal to the difference between the option exercise price and the fair market value of Units received therefor, and the option holder then purchased, from the Company for cash, the applicable number of Units at such fair market value. Any deduction attributable to such deemed cash payment shall be allocated to the holders of Units immediately before such payment.

(iii) Notwithstanding anything herein to the contrary, if the Company engages in any transaction that will lead to a distribution pursuant to Section 9.1(e)(iv), then the holders of Preferred Units shall be specially allocated additional Net Profits (and, if there are insufficient Net Profits, items of gross income and gain, including any Net Profits, gross income or gain from a prior taxable year that may properly be so allocated), pro rata (in accordance with the number of Preferred Units held by such holders) such that, to the extent possible, after such allocation the ratio of each Member's capital account (in the case of a Member who holds Preferred Units (other than Paid Preferred Units), considering only the portion of such capital account that exceeds the amount thereof attributable to Unreturned Original Cost or to accrued and unpaid Preferred Return through the date of reallocation on all Preferred Units) to the aggregate of all Members' capital account balances (or, in the case of Preferred Units (other than Paid Preferred Units), the applicable portion

thereof as aforesaid) shall be the same as the ratio of the number of Units owned by each such Member to the aggregate number of all Units outstanding.

(c) Notwithstanding any provision of this Agreement to the contrary but after giving effect to Section 6.2(a)(i), each Member's capital account shall be maintained and adjusted in accordance with the Code, including (i) the adjustments permitted or required by Code Section 704(b) (provided that such adjustment is not reasonably likely to have a material effect on amounts distributable to any Member pursuant to Section 9.1) and the regulations promulgated thereunder and (ii) adjustments required to maintain capital accounts in accordance with the "substantial economic effect test" set forth in the regulations promulgated under Internal Revenue Code Section 704(b) (including the "minimum gain chargeback" requirements of Sections 1.704-2(f) and 1.704-2(i)(4), the "qualified income offset" requirements of Section 1.704-1(b)(2)(ii)(d) and the "partner nonrecourse debt" allocations of Treasury Regulation Sections 1.704-2(c), 1.704-2(i)(2) and 1.704-2(j)(1)).

(d) The Company's ordinary income and losses and capital gains and losses as determined for Federal income tax purposes (and each item of income, gain, loss or deduction

entering into the calculation thereof) shall be allocated to the Members in the same proportions as the corresponding "book" items are allocated pursuant to Sections 6.2(a), (b)(iii), and (c). Notwithstanding the foregoing sentence, Federal income tax items relating to "Section 704(c) Property" (as defined in Treasury Regulation Section 1.704-3(a)(3) and including (i) all of the Company's assets deemed to be contributed pursuant to this Section 6.2 and (ii) any Company property that, at the election of the Board of Managers, is subject to a revaluation upon the occurrence of an event specified in Treasury Regulation Section 1.704-1(b)(2)(iv)(f)) shall be allocated among the Members in accordance with Section 704(c) of the Code taking into account the difference between the fair market value and the tax basis of such Section 704(c) Property as of the date of its contribution using the so-called "traditional method with curative allocations" described in Treasury Regulation Section 1.704-3(c).

(e) Any Member, including any substitute Member, who shall receive any Units by means of a transfer to him of Units of another Member shall have a capital account that reflects the capital account associated with the transferred Units.

(f) No Member shall have an obligation to the Company or any Member to restore a negative or deficit capital account.

6.3 DISTRIBUTIONS.

Distributions from the Company shall be made in the following order of priority:

(a) First, (i) within 10 days following the end of each calendar quarter, the Company will distribute to each Member a cash amount equal to twenty-five percent (25%) of the Taxable Income Distribution Amount of such Member for such calendar year as estimated by the Board of Managers; and (ii) with respect to tax payments to be made with income tax returns filed for a full calendar year or with respect to adjustments to such returns imposed by the Internal Revenue Service or other taxing authority, such distribution to Members shall be equal to the Taxable Income Distribution Amount for each calendar year minus the aggregate amount distributed for such calendar year as provided in clause (i) above; provided that in no event shall the Company be obligated to distribute cash amounts to Members in excess of the aggregate distributions made to the Company by Subsidiaries of the Company (less any amounts retained by the Company, which in the Board of Managers sole discretion, are necessary to be retained by the Company). In the event that the amount determined under clause (ii) above is a negative amount, the amount of any distributions pursuant to this Section 6.3(a) in the succeeding calendar year (or if necessary any subsequent calendar years) shall be reduced by such negative amount.

(b) Second, distributions shall be made, at such times and in such amounts as the Board of Managers may determine, to the holders of Preferred Units with respect to the Preferred Return as provided in Section 3.3(a) (but only to the extent any such distribution has not already been made pursuant to Section 6.3(a)).

(c) Third, subject to Section 3.6(c) such other distributions of the Company to holders of Units, whether in cash or in kind, shall be made at such times and in such amounts as

the Board of Managers may determine, and shall be made to the Members pro rata in accordance with their respective holdings of Units at the date of distribution.

6.4 LIABILITY FOR RETURN OF CAPITAL.

No Member or Manager shall have any liability for the return of any Member's Capital Contribution, which Capital Contribution shall be payable solely from the assets of the Company at the absolute discretion of the Board of Managers, subject to the requirements of the Delaware Act.

6.5 ADMINISTRATIVE MATTERS.

(a) The Company hereby designates Chase as the "tax matters partner" for purposes of Code Section 6231 and the regulations promulgated thereunder. In such capacity, Chase may cause the Company to make any tax elections that it deems necessary or advisable. Chase shall be reimbursed by the Company for any expenses incurred in its capacity as tax matters partner. (b) It is the intention of the Members that the Company shall be taxed as a "partnership" for federal, state, local and foreign income tax purposes. The Members shall take all reasonable actions, including the amendment of this Agreement and the execution of other documents, as may reasonably be required in order for the Company to qualify for and receive "partnership" treatment for federal, state, local and foreign income tax purposes.

(c) The fiscal year of the Company shall be the calendar year. The books and records of the Company shall be maintained in accordance with generally accepted accounting principles and Code Section 704(b) and the regulations promulgated thereunder.

(d) As to each of the first three fiscal quarters of the Company and each fiscal year of the Company, the Company shall send to each Member a copy of (a) the balance sheet of the Company as of the end of the fiscal quarter or year, (b) an income statement of the Company for such quarter or year, and (c) a statement showing the amounts distributed by the Company to Members in respect of such quarter or year. Such financial statements shall be delivered no later than forty-five (45) days following the end of the fiscal quarter to which the statements apply, except that the financial statements relating to the end of the fiscal year shall be delivered no later than ninety (90) days following the end of such fiscal year.

ARTICLE VII

TRANSFERABILITY OF THE MEMBERS' INTEREST

7.1 LIMITATIONS ON TRANSFERABILITY OF UNITS.

(a) Except as otherwise expressly authorized herein, no Member may sell, assign, pledge or otherwise transfer or encumber (collectively, "Transfer") all or any part of its Units or its Interest, and no transferees of all or any part of the Units or the Interest of a Member shall be admitted as a substituted Member, without, in either event, having obtained the prior written consent of a Majority in Interest of the Members (excluding Members that are transferring

Units), which consent may be withheld in their sole discretion, and without complying with the applicable provisions of the Members' Agreement applicable to such Units or Interest, as the case may be. Notwithstanding the preceding sentence, the prior written consent of a Majority in Interest of the Members shall not be required for a Transfer of Units (i) made in compliance with Sections 2, 3, 4 and 6, as applicable, of the Members' Agreement or (ii) that constitutes a pledge of Units by a Management Member to secure a loan by the Company to such Person. Any Transfer or attempted Transfer of any Units or Interest in the Company in violation of any of the provisions of this Section 7.1 shall be void, and the Company shall not record such Transfer on its books or treat any purported transferee of such Units (or Interest) as the owner of such Units (or Interest) for any purpose. The Board of Managers shall amend

SCHEDULE I hereto from time to time to reflect Transfers made in accordance with, and as permitted under, this Section 7.1 and the Members' Agreement.

(b) Notwithstanding anything herein to the contrary, but subject to Section 7.2(b), a holder of a Preferred Unit may freely transfer such Preferred Unit without the consent of any Member or the Board of Managers and such assignee(s), upon the written consent of such holder shall be admitted as a substituted Member; provided, that, such transfer will not cause the Company to be treated as a "publicly traded partnership" within the meaning of Section 7704(b) of the Code.

(c) Prior to the Transfer (other than by means of a public offering) of Units to any Person who is not a party to this Agreement, such Person shall execute a counterpart to this Agreement and the Members' Agreement and shall agree to be bound by the terms hereof and thereof.

7.2 OTHER PROVISIONS WITH RESPECT TO TRANSFERABILITY OF UNITS.

(a) Transfer of any Unit shall constitute the Transfer of a proportionate share of each attribute constituting the Member's Interest represented by the Unit.

(b) Each Member shall, after complying, or making provision to comply, with Section 7.1, but prior to any Transfer of Units, give written notice to the Company of such proposed Transfer. Each such notice shall describe the manner and circumstances of the proposed Transfer. Upon request by the Company, the Member delivering such notice shall deliver a written opinion, addressed to the Company, of counsel for such Member, stating that in the opinion of such counsel (which opinion and counsel shall be reasonably satisfactory to the Company) such proposed Transfer does not involve a transaction requiring registration or qualification of such Units under the Securities Act or the securities or "blue sky" laws of any state of the United States. Such Member shall thereupon be entitled to Transfer Units in accordance with the terms of the notice delivered to the Company, if the Company does not request such opinion within five days after delivery of such notice, or, if the Company requests such opinion, and does not reasonably object (based on the contents of such opinion) to such Transfer within five days after delivery of such opinion.

ARTICLE VIII

ADDITION OF MEMBERS, WITHDRAWAL OF MEMBERS

8.1 ADDITION OF MEMBERS.

Subject to Section 3.6 and Section 10.2 hereof, the Board of Managers, with the consent of a Majority in Interest of Members, shall have the right to amend this Agreement and cause the Company to issue additional Units and to admit additional Members upon the acquisition of such Units upon such terms and conditions, at such time or times, and for such Capital Contributions as shall be determined by the Board of Managers. In connection with Transfers permitted under this Agreement or the admission of an additional Member, the Board of Managers shall amend SCHEDULE I hereof to reflect the name and address of the additional Member. Prior to the admission of any Person as a Member, such Person shall execute a counterpart to this Agreement and the Members' Agreement and shall agree to be bound by the terms hereof and thereof.

8.2 WITHDRAWAL OF MEMBERS.

No Member shall have the right to withdraw from the Company except with the consent of the Board of Managers and upon such terms and conditions as may be specifically agreed upon between the Company and the withdrawing Member. The provisions hereof with respect to distributions upon withdrawal are exclusive, and no Member shall be entitled to claim any further or different distribution upon withdrawal under Section 18-604 of the Delaware Act or otherwise. This Section 8.2 shall not apply to Transfers permitted under this Agreement.

ARTICLE IX

DISSOLUTION OF THE COMPANY; CONTINUATION

9.1 DISSOLUTION OF THE COMPANY.

(a) Subject to the provisions of Section 9.2, the Company shall be dissolved and its affairs wound up and terminated upon the first to occur of the following:

(i) December 31, 2030;

(ii) the determination of the Board of Managers and a Majority in Interest of Members to dissolve the Company; or

(iii) the occurrence of an Event of Withdrawal of a Member or any other event causing a dissolution of the Company under Section 18-801 of the Delaware Act.

(b) Upon dissolution of the Company, the Company's affairs shall be promptly wound up in accordance with the provisions of this Section 9.1. The Company shall engage in no further business except as may be necessary, in the reasonable discretion of the Board of Managers, to preserve the value of the Company's assets during the period of dissolution and liquidation.

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(c) Distributions to the Members in liquidation may be made in cash or in kind, or partly in cash and partly in kind, as determined by the Board of Managers. With respect to distributions in kind, the capital account of each Member receiving such distribution shall be adjusted as if such distributed property had been sold at fair market value and the gain or loss on such sale had been allocated to such Member.

(d) The Net Profits and Net Losses of the Company during the period of dissolution and liquidation shall be allocated among the Members in accordance with the provisions of Section 6.2.

(e) The assets of the Company (including, without limitation, proceeds from the sale or other disposition of any assets during the period of dissolution and liquidation) shall be applied as follows:

(i) First, to repay any indebtedness of the Company, whether to third parties or the Members, in the order of priority required by law;

(ii) Next, to any reserves which the Board of Managers reasonably deems necessary for contingent or unforeseen liabilities or obligations of the Company (which reserves when they become unnecessary shall be distributed in accordance with the provisions of (iii) and (iv), below);

(iii) Next, subject to and in accordance with Section 3.3(b), to the holders of Preferred Units, to the extent of the Preferred Liquidation Preference of such Preferred Units held by each such holder, and

(iv) Next, to the Members in proportion to their respective positive capital account balances (after taking into account all adjustments to the Members' capital accounts required under Section 6.2).

9.2 CONTINUATION OF THE COMPANY.

Notwithstanding the provisions of Section 9.1, the occurrence of an Event of Withdrawal of a Member shall not dissolve the Company if within 90 days after the occurrence of such Event of Withdrawal of a Member the business of the Company is continued by a Majority in Interest of Members remaining after such Event of Withdrawal.

ARTICLE X

MISCELLANEOUS

10.1 LIMITATION ON LIABILITY.

The debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and no Member or Manager of the Company shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Member or Manager.

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10.2 AMENDMENTS.

This Agreement may be amended only upon the written consent of (i) the Board of Managers, (ii) a Majority in Interest of Preferred Members, and (iii) a Majority in Interest of Members; provided, however, that no modification or amendment shall be effective to reduce the percentage of the Units the consent of the holders of which is required under this Section 10.2 nor shall any modification or amendment discriminate against any Member without the consent of such Member; provided, further, however, that any amendment that would adversely affect the rights hereunder of any Member, in its capacity as Member, without similarly affecting the rights hereunder of all Members of the same class, shall not be effective without such Member's prior written consent.

10.3 GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Delaware without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

* * * * *

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IN WITNESS WHEREOF, the undersigned have duly executed this Operating Agreement as of the date first written above.

DONJOY, L.L.C.

By: /s/ Cyril Talbot III

Name: Cyril Talbot III
Title: V.P., CFO and Secretary

CHASE DJ PARTNERS, LLC,

By: Fairfield Chase Medical Partners, LLC,
its Managing Member

By: /s/ Charles T. Orsatti

Name: Charles T. Orsatti
Title: Managing Member

SMITH & NEPHEW DISPOSAL, INC.

By: /s/ Cliff Lomax

Name: Cliff Lomax
Title: President

CB CAPITAL INVESTORS, L.P.

By: CB Capital Investors, Inc.,
its general partner

By: /s/ Damion Wicker

Name: Damion Wicker
Title: General Partner

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/s/ Leslie H. Cross

Leslie H. Cross

/s/ Michael R. McBrayer

Michael R. McBrayer

/s/ Cyril Talbot III

Cyril Talbot III

FIRST UNION INVESTORS, INC.

By: /s/ Frederick W. Eubank II

Name: Frederick W. Eubank II
Title: Senior Vice President

DJC, INC.

By: /s/ John C. Rocchio

Name: John C. Rocchio
Title: Managing Director

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TCW/CRESCENT MEZZANINE TRUST II

By: TCW/Crescent Mezzanine II, L.P.,
as general partner or managing owner

By: TCW/Crescent Mezzanine, L.L.C.,
its general partner

By: /s/ John C. Rocchio

Name: John C. Rocchio
Title: Managing Director

TCW LEVERAGED INCOME TRUST II, L.P.

By: TCW Investment Management Company,
as Investment Advisor

By: /s/ John C. Rocchio

Name: John C. Rocchio
Title: Managing Director

By: TCW (LINC II), L.P., as general partner

By: TCW Advisors (Bermuda), Ltd.,
as its general partner

By: /s/ Mark L. Attanasio

Name: Mark L. Attanasio
Title: Group Managing Director

CRESCENT/MACH I PARTNERS, L.P.

By: TCW Asset Management Company,
as Portfolio Manager and as Attorney-in-Fact
the Partnership

By: /s/ John C. Rocchio

Name: John C. Rocchio
Title: Managing Director

<TABLE>
<CAPTION>
SCHEDULE I -- SCHEDULE OF MEMBERS

	Common Units	Preferred Units	Percentages
<S>	<C>	<C>	<C>
Chase DJ Partners, LLC c/o Chase Capital Partners 380 Madison Avenue, 12th Floor New York, New York 10017	645,500		85.14%
Smith & Nephew Disposal, Inc. c/o Smith & Nephew, Inc. 1450 Brooks Road Memphis, TN 38116	54,000		7.12%
PREFERRED UNIT HOLDERS			
CB Capital Investors, L.P. c/o Chase Capital Partners 380 Madison Avenue, 12th Floor New York, New York 10017		20,427	2.69%
First Union Investors, Inc. One First Union Center Charlotte, NC 28288		6,362	0.84%
DJC, Inc. c/o TCW/Crescent Mezzanine LLC 11100 Santa Monica Blvd. Suite 2000 Los Angeles, CA 90025		9,631	1.27%
TCW Crescent Mezzanine Trust II c/o TCW/Crescent Mezzanine LLC 11100 Santa Monica Blvd. Suite 2000 Los Angeles, CA 90025		2,090	0.28%
TCW Leveraged Income Trust II, L.P. c/o TCW/Crescent Mezzanine LLC 11100 Santa Monica Blvd. Suite 2000 Los Angeles, CA 90025		1,004	0.13%

</TABLE>

<TABLE>

<S>	<C>	<C>	<C>	<C>
Crescent MACH I Partners, L.P.			670	0.09%

c/o TCW/Crescent Mezzanine LLC
11100 Santa Monica Blvd.
Suite 2000
Los Angeles, CA 90025

MANAGEMENT MEMBERS

Les Cross 3330 Caminito Daniella Del Mar, CA 92014		12,500		1.65%
Michael McBrayer 4308 Horizon Drive Carlsbad CA 92008		3,000		0.40%
Cy Talbot 2511 Lozana Road Del Mar, CA 92014		3,000		0.40%
	Total	718,000	40,184	100%

</TABLE>

EXHIBIT 3.3

CERTIFICATE OF AMENDMENT

TO CERTIFICATE OF INCORPORATION

OF

DJ ORTHOPEDIC CAPITAL CORPORATION

DJ Orthopedic Capital Corporation (hereinafter called the "Company"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify:

1. The current name of the Company is DJ Orthopedic Capital Corporation.

2. The Certificate of Incorporation of the Company filed on March 22, 1999 is hereby amended by deleting ARTICLE FIRST in its entirety and replacing it with the following:

ARTICLE FIRST

The name of the corporation (herein called the "Corporation") is DJ ORTHOPEDICS CAPITAL CORPORATION.

IN WITNESS WHEREOF, the undersigned has executed this certificate this 4th day of June, 1999.

/s/ Todd H. Greene

Name: Todd H. Greene
Title: Sole Incorporator

CERTIFICATE OF INCORPORATION

OF

DJ ORTHOPEDIC CAPITAL CORPORATION

ARTICLE FIRST

The name of the corporation (herein called the "Corporation") is DJ Orthopedic Capital Corporation.

ARTICLE SECOND

The address of the registered office of the Corporation in the State of Delaware is 9 East Loockerman Street, City of Dover, County of Kent, 19901. The name of the registered agent of the Corporation at such address is National Registered Agents, Inc.

ARTICLE THIRD

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

ARTICLE FOURTH

The total number of shares of all classes of stock which the Corporation shall have authority to issue is 1,000 shares, all of which shall be of one class, shall be designated Common Stock and shall have a par value of $.01 per share.

ARTICLE FIFTH

The name and mailing address of the incorporator is as follows:

<TABLE>
<CAPTION>

Name	Mailing Address
<S>	<C>
Todd H. Greene, Esq.	c/o O'Sullivan Graev & Karabell, LLP 30 Rockefeller Plaza New York, New York 10112

</TABLE>

ARTICLE SIXTH

The number of directors of the Corporation shall be such as from time to time shall be fixed in the manner provided in the By-laws of the Corporation. The election of directors of the Corporation need not be by ballot unless the By-laws so require.

ARTICLE SEVENTH

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit. If the Delaware General Corporation Law is amended after the date of incorporation of the Corporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE EIGHTH

For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders, it is further provided:

(a) In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized and empowered:

(i) to make, alter, amend or repeal the By-laws in any manner not inconsistent with the laws of the State of Delaware or this Certificate of Incorporation;

(ii) without the assent or vote of the stockholders, to authorize and issue securities and obligations of the Corporation, secured or unsecured, and to include therein such provisions as to redemption, conversion or other terms thereof as the Board of Directors in its sole discretion may determine, and to authorize the mortgaging or pledging, as security therefor, of any property of the Corporation, real or personal, including after-acquired property;

(iii) to determine whether any, and if any, what part, of the net profits of the Corporation or of its surplus shall be

declared in dividends and paid to the stockholders, and to direct and determine the use and disposition of any such net profits or such surplus; and

(iv) to fix from time to time the amount of net profits of the Corporation or of its surplus to be reserved as working capital or for any other lawful purpose.

In addition to the powers and authorities herein or by statute expressly conferred upon it, the Board of Directors may exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the laws of the State of Delaware, of this Certificate of Incorporation and of the By-laws of the Corporation.

(b) Any director or any officer elected or appointed by the stockholders or by the Board of Directors may be removed at any time in such manner as shall be provided in the By-laws of the Corporation.

(c) From time to time any of the provisions of this Certificate of Incorporation may be altered, amended or repealed, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner and at the time prescribed by said laws, and all rights at any time conferred upon the stockholders of the Corporation by this Certificate of Incorporation are granted subject to the provisions of this paragraph (c).

ARTICLE NINTH

Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under the provisions of Section 291 of the Delaware General Corporation Law or on the application of trustees in

dissolution or of any receiver or receivers appointed for the Corporation under the provisions of Section 279 of the Delaware General Corporation Law order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in

such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree on any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

* * * *

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IN WITNESS WHEREOF, I, the undersigned, being the sole incorporator hereinabove named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, DO HEREBY CERTIFY, under penalties of perjury, that this is my act and deed and that the facts hereinabove stated are truly set forth and, accordingly, I have hereunto set my hand as of the 22nd day of March, 1999.

/s/ Todd H. Greene

Todd H. Greene
Sole Incorporator

EXHIBIT 3.4

==========

DJ ORTHOPEDICS, LLC

(A DELAWARE LIMITED LIABILITY COMPANY)

BY-LAWS

ADOPTED AS OF JUNE 30, 1999

==========

BY-LAWS

OF

DJ ORTHOPEDICS, LLC

INTRODUCTION

A. Agreement. These By-laws (the "By-laws") are subject to and made part of the Amended and Restated Operating Agreement dated as of June 30, 1999, as the same may from time to time be amended and in effect (the "Operating Agreement"), of DJ Orthopedics, LLC, a Delaware limited liability company (the "Company").

B. Definitions. Capitalized terms used and not defined in these

By-laws have the meanings ascribed to such terms in the Operating Agreement.

ARTICLE I

MEETINGS OF MEMBERS

1.1 PLACE OF MEETINGS AND MEETINGS BY TELEPHONE.

Meetings of Members shall be held at any place designated by the Board of Managers. In the absence of any such designation, meetings of Members shall be held at the principal place of business of the Company. Any meeting of the Members may be held by conference telephone or similar communication equipment so long as all Members participating in the meeting can hear one another, and all Members participating by telephone or similar communication equipment shall be deemed to be present in person at the meeting.

1.2 CALL OF MEETINGS.

Meetings of Members may be called at any time by the Board of Managers or the Chief Executive Officer and President for the purpose of taking action upon any matter requiring the vote or authority of the Members as provided herein or in the Operating Agreement or upon any other matter as to which such vote or authority is deemed by the Board of Managers or the Chief Executive Officer and President to be necessary or desirable.

1.3 NOTICE OF MEETINGS OF MEMBERS.

All notices of meetings of Members shall be sent or otherwise given in accordance with Section 1.4 of this Article I not less then ten nor more than sixty days before the date of the meeting. The notice shall specify the place, date and hour of the meeting.

1.4 MANNER OF GIVING NOTICE.

Notice of any meeting of Members shall be given personally or by telephone to each Member (in the event any Member is a corporation, partnership or limited liability company, such notice shall be to any vice president, general partner, managing member, respectively, or other responsible officer of such entity) or sent by first class mail, postage prepaid, by telegram or telecopy (or similar electronic means) or by a nationally recognized overnight courier, charges prepaid, addressed to the Member at the address of that Member appearing on the books of the Company or given by the Member to the Company for the purpose of notice. Notice shall be deemed to have been given at the time when delivered either personally or by telephone, or at the time when deposited in the mail or with a nationally recognized overnight courier, or when sent by telegram or telecopy (or similar electronic means).

1.5 ADJOURNED MEETING; NOTICE.

Any meeting of Members, whether or not a quorum is present, may be adjourned from time to time by the vote of those Members who hold in the aggregate greater than 50% of the number of Units then outstanding (the "Majority in Interest of Members") represented at that meeting, either in person or by proxy. When any meeting of Members is adjourned to another time or place, notice need not be given of the adjourned meeting, unless a new record date of the adjourned meeting is fixed or unless the adjournment is for more than thirty days from the date set for the original meeting, in which case the Board of Managers shall set a new record date and shall give notice in accordance with the provisions of Sections 1.3 and 1.4 of this Article I. At any adjourned meeting, the Company may transact any business that might have been transacted at the original meeting.

1.6 QUORUM; VOTING.

At any meeting of the Members, the presence of a Majority in Interest of Members, in person or by proxy, shall constitute a quorum for all purposes, unless or except to the extent that the presence of Members holding such other percentage of Membership Units is required by the Operating Agreement, these By-laws or applicable law. Except as otherwise required by the Operating Agreement, these By-laws or applicable law, all matters shall be determined by an affirmative vote of a Majority in Interest of Members.

1.7 WAIVER OF NOTICE BY CONSENT OF ABSENT MEMBERS.

The transactions of a meeting of Members, however called and noticed and wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if a quorum is present either in person or by proxy and if, either before or after the meeting, each person entitled to vote who was not present in person or by proxy signs a written waiver of notice or a consent to a holding of the meeting or an approval of the minutes. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any meeting of Members. Attendance by a person at a

meeting shall also constitute a waiver of notice of that meeting, except when the person objects at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened.

1.8 MEMBER ACTION BY WRITTEN CONSENT WITHOUT A MEETING.

Any action that may be taken at any meeting of Members may be taken without a meeting and without prior notice if a consent in writing setting forth the action so taken is signed by a Majority in Interest of Members (or Members holding such other percentage of Membership Units as is required to authorize or

take such action under the terms of the Operating Agreement, these By-laws or applicable law). Any such written consent may be executed and given by telecopy or similar electronic means. Such consents shall be filed with the Secretary of the Company and shall be maintained in the Company's records. A copy of any such consent shall be provided to any Member who does not sign such consent.

1.9 RECORD DATE FOR MEMBER NOTICE, VOTING AND GIVING CONSENTS.

(a) For purposes of determining the Members entitled to vote or act at any meeting or adjournment thereof, the Board of Managers may fix in advance a record date which shall not be greater than sixty days nor fewer than ten days before the date of any such meeting. If the Board of Managers does not so fix a record date, the record date for determining Members entitled to notice of or to vote at a meeting of Members shall be at the close of business on the business day immediately preceding the day on which notice is given, or if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

(b) The record date for determining the Members entitled to give consent to action in writing without a meeting, (i) when no prior action of the Board of Managers has been taken, shall be the day on which the first written consent is given, or (ii) when prior action of the Board of Managers has been taken, shall be such date as determined for that purpose by the Board of Managers, which record date shall not precede the date upon which the resolution fixing it is adopted by the Board of Managers and shall not be more than twenty days after the date of such resolution.

(c) Members of record on the record date as herein determined shall have any right to vote or to act at any meeting or give consent to any action relating to such record date, provided that no Member who transfers all or part of such Member's Membership Unit after a record date (and no transferee of such Membership Unit) shall have the right to vote or act with respect to the transferred Membership Unit as regards the matter for which the record date was set.

1.10 PROXIES.

Every Member entitled to vote or act on any matter at a meeting of Members shall have the right to do so either in person or by proxy, provided that an instrument authorizing such a proxy to act is executed by the Member in writing and dated not more than eleven months before the meeting, unless the instrument specifically provides for a

longer period. A proxy shall be deemed executed by a Member if the Member's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the Member or the Member's attorney-in-fact. A

valid proxy that does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by (a) the person executing it before the vote pursuant to that proxy by a writing delivered to the Company stating that the proxy is revoked or (b) a subsequent proxy executed by, or by attendance at the meeting and voting in person by, the person executing that proxy or (ii) written notice of the death or incapacity of the maker of that proxy is received by the Company before the vote pursuant to that proxy is counted. A proxy purporting to be executed by or on behalf of a Member shall be deemed valid unless challenged at or prior to its exercise and the burden of proving invalidity shall rest on the challenger. Except to the extent inconsistent with the provisions hereof, the Limited Liability Company Act of the State of Delaware, and judicial construction thereof by the Courts of the State of Delaware, shall be applicable to proxies granted by any Member.

ARTICLE II

MANAGERS AND MEETINGS OF MANAGERS

2.1 POWERS.

The powers of the Managers shall be as provided herein and in the Operating Agreement.

2.2 NUMBER OF MANAGERS.

The Board of Managers shall consist of at least five Managers. The number of Managers shall be initially nine and may thereafter be changed from time to time by action of the Managers.

2.3 VACANCIES.

Newly created vacancies on the Board of Managers resulting from an increase in the number of Managers and vacancies occurring on the Board of Managers for any other reason, including the removal of Managers without cause, may be filled as provided in the Operating Agreement.

2.4 PLACE OF MEETINGS AND MEETINGS BY TELEPHONE.

All meetings of the Board of Managers may be held at any place that has been designated from time to time by resolution of the Board of Managers or in any notice properly given with respect to any such meeting. In the absence of such a designation, regular meetings shall be held at the principal place of business of the Company. Any meeting, regular or special, may be held by conference telephone or similar communication equipment so long as all Managers participating in the meeting can hear one another, and all Managers participating by telephone or similar communication equipment shall be deemed to be present in person at the meeting.

2.5 REGULAR MEETINGS.

Regular meetings of the Board of Managers shall be held at such times and at such places as shall be fixed by approval of the Managers. Such regular meetings may be held without notice.

2.6 SPECIAL MEETINGS.

Special meetings of the Board of Managers for any purpose or purposes may be called at any time by any Manager. Notice of the time and place of a special meeting shall be delivered to each Manager (a) personally, (b) by telephone (and confirmed by one of the methods set out in the immediately succeeding clause (c)), or (c) by telegram, telecopy (or similar electronic means), first-class mail or nationally recognized overnight courier, charges prepaid, addressed to each Manager at that Manager's address as it is shown on the records of the Company. If the notice is mailed, it shall be deposited in the United States mail at least ten calendar days before the time of the holding of the meeting. If the notice is delivered personally or by telephone or by telegram, telecopy (or similar electronic means) or by a nationally recognized overnight courier, it shall be given at least twenty-four hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the Manager or to a person at the office of the Manager who the person giving the notice has reason to believe will promptly communicate it to the Manager. The notice need not specify the purpose of the meeting.

2.7 QUORUM; CHAIRMAN.

The Members holding a majority of the votes entitled to be cast shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 2.9 of this Article II. Every act or decision done or made by the affirmative vote of a majority of Managers entitled to cast votes at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Managers, except to the extent that the vote of a higher number of Managers is required by the Operating Agreement, these By-laws or applicable law. The Board of Managers may from time to time appoint any Manager to serve as Chairman of the Board of Managers, who shall preside at all meetings of the Board of Managers and of the Members. If at the time of any such meeting, there shall not be a Chairman of the Board of Managers, or the then incumbent Chairman does not attend or participate in such meeting, then the Board of Managers shall appoint a person to preside at such meeting.

2.8 WAIVER OF NOTICE.

Notice of any meeting need not be given to any Manager who either before or after the meeting signs a written waiver of notice, a consent to holding the meeting or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents, and approvals shall be filed with the records of the Company or made a part of the minutes of the meeting. Notice of a meeting shall

also be deemed given to any Manager who attends the meeting without protesting, at or prior to its commencement, the lack of notice to that Manager.

2.9 ADJOURNMENT.

Managers present at any meeting entitled to cast a majority of all votes entitled to be cast by such Managers, whether or not constituting a quorum, may adjourn any meeting to another time and place. Notice of the time and place of holding an adjourned meeting need not be given unless the meeting is adjourned for more than forty-eight hours, in which case notice of the time and place shall be given before the time of the adjourned meeting in the manner specified in Section 6 of this Article II.

2.10 ACTION WITHOUT A MEETING.

Any action to be taken by the Board of Managers at a meeting may be taken without such meeting by the written consent of all the Managers then in office. Any such written consent may be executed and given by telecopy or similar electronic means. Such written consents shall be filed with the minutes of the proceedings of the Board of Managers.

2.11 DELEGATION OF POWER.

Any Manager may, by power of attorney, delegate his power to any other Manager or Managers; provided, however, that in no case shall fewer than two Managers personally exercise the powers granted to the Managers, except as otherwise provided in the Operating Agreement or by resolution of the Board of Managers. A Manager represented by another Manager pursuant to such power of attorney shall be deemed to be present for purposes of establishing a quorum and satisfying any voting requirements. The Board of Managers may, by resolution, delegate any or all of their powers and duties granted hereunder or under the Operating Agreement to one or more committees of the Board of Managers, each consisting of one or more Managers, or to one or more officers, employees or agents (including, without limitation, Members), and to the extent any such powers or duties are so delegated, action by the delegate or delegates shall be deemed for all purposes to be action by the Board of Managers. Except as otherwise provided in the Operating Agreement, all such delegates shall serve at the pleasure of the Board of Managers. To the extent applicable, notice shall be given to, and action may be taken by, any delegate of the Board of Managers as herein provided with respect to notice to, and action by, the Board of Managers.

2.12 VOTING OF MANAGERS.

Each Manager shall be entitled to one vote on all matters the Managers are entitled to vote thereon, except for the Chase Managing Member (as

defined in the Members' Agreement of DonJoy, L.L.C., dated as of June 18, 1999, among DonJoy, L.L.C. and its members signatory thereto), who shall be entitled to six votes on all matters the Managers are entitled to vote thereon.

ARTICLE III

OFFICERS

3.1 OFFICERS.

The officers of the Company shall be a Chief Executive Officer and President, a Secretary and a Chief Financial Officer. The Company may also have, at the discretion of the Board of Managers, such other officers as may be appointed in accordance with the provisions of Section 3.3 of this Article III, including, without limitation, any number of Vice Presidents. Any number of offices may be held by the same person. Officers may, but need not, be Managers.

3.2 ELECTION OF OFFICERS.

The officers of the Company shall be chosen by the Board of Managers, and each shall serve at the pleasure of the Board of Managers, subject to the rights, if any, of an officer under any contract of employment.

3.3 ADDITIONAL OFFICERS.

The Board of Managers may appoint and may empower the Chief Executive Officer and President to appoint such additional officers as the business of the Company may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these By-laws or as the Board of Managers (or, to the extent the power to prescribe authorities and duties of additional officers is delegated to him or her, the Chief Executive Officer and President) may from time to time determine.

3.4 REMOVAL AND RESIGNATION OF OFFICERS.

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, with or without cause, by the Board of Managers at any regular or special meeting of the Board of Managers or by such officer, if any, upon whom such power of removal may be conferred by the Board of Managers. Any officer may resign at any time by giving written notice to the Company. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice, and unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Company under any contract to which the officer is a party.

3.5 VACANCIES IN OFFICES.

A vacancy in any office because of death, resignation, removal, disqualification or other cause shall be filled by the Board of Managers, subject in the case of the appointment of additional officers by the Chief Executive Officer and President in accordance with Section 3.3 of this Article III. The Chief Executive Officer and

President may make temporary appointments to a vacant office reporting to the Chief Executive Officer and President pending action by the Board of Managers.

3.6 CHIEF EXECUTIVE OFFICER AND PRESIDENT.

The Chief Executive Officer and President shall, subject to the control of the Board of Managers, be responsible for the general supervision, direction and control of the business and the officers of the Company. He or she shall have the general powers and duties of management usually vested in the office of Chief Executive Officer and President of a corporation and shall have such other powers and duties as may be prescribed by the Board of Managers or these By-laws.

3.7 SECRETARY.

The Secretary shall keep or cause to be kept at the principal place of business of the Company or such other place as the Board of Managers may direct a book of minutes of all meetings and actions of the Board of Managers, committees or other delegates of the Board of Managers (appointed in accordance with the provisions of Section 2.11 of Article II) and the Members. The Secretary shall keep or cause to be kept at the principal place of business of the Company a register or a duplicate register showing the names of all Members and their addresses, the class and percentage interests in the Company held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation. The Secretary shall give or cause to be given notice of all meetings of the Members and of the Board of Managers (or committees or other delegates thereof) required to be given by these By-laws or by applicable law and shall have such other powers and perform such other duties as may be prescribed by the Board of Managers or the Chief Executive Officer and President or by these By-laws.

3.8 CHIEF FINANCIAL OFFICER.

The Chief Financial Officer shall keep and maintain or cause to be kept and maintained adequate and correct books and records of accounts of the properties and business transactions of the Company. The books of account shall at all reasonable times be open to inspection by any Manager. The Chief

Financial Officer shall deposit all monies and other valuables in the name and to the credit of the Company with such depositaries as may be designated by the Board of Managers. He or she shall disburse the funds of the Company as may be ordered by the Board of Managers, shall render to the Chief Executive Officer and President and the Board of Managers, whenever they request it, an account of all of his or her transactions as Chief Financial Officer and of the financial condition of the Company and shall have other powers and perform such other duties as may be prescribed by the Board of Managers or the Chief Executive Officer and President or these By-laws.

ARTICLE IV

MAINTENANCE AND INSPECTION OF RECORDS

4.1 MEMBER LIST.

The Company shall maintain at its principal place of business a record of its Members, giving the names and addresses of all Members and the class and Membership Units in the Company held by each Member. Subject to such reasonable standards (including standards governing what information and documents are to be furnished and at whose expense) as may be established by the Board of Managers from time to time, each Member has the right to obtain from the Company from time to time upon reasonable demand for any purpose reasonably related to the Member's interest as a Member of the Company a record of the Company's Members.

4.2 BY-LAWS.

The Company shall keep at its principal place of business the original or a copy of these By-laws as amended to date, which shall be open to inspection by the Members at all reasonable times during office hours.

4.3 OTHER RECORDS.

The accounting books and records, minutes of proceedings of the Members and the Board of Managers and any committees or delegates of the Board of Managers and all other information pertaining to the Company that is required to be made available to the Members under the Delaware Act shall be kept at such place or places designated by the Board of Managers or in the absence of such designation, at the principal place of business of the Company. The minutes shall be kept in written form and the accounting books and records and other information shall be kept either in written form or in any other form capable of being converted into written form. The books of account and records of the Company shall be maintained in accordance with generally accepted accounting principles consistently applied during the term of the Company, wherein all transactions, matters and things relating to the business and properties of the

Company shall be currently entered, subject to such reasonable standards (including standards, governing what information and documents are to be furnished and at whose expense) as may be established by the Board of Managers from time to time; and minutes, accounting books and records and other information shall be open to inspection upon the written demand of any Member at any reasonable time during usual business hours for purposes reasonably related to the Member's interests as a Member. Any such inspection may be made in person or by an agent or attorney and shall include the right to copy and make extracts. Notwithstanding the foregoing, the Board of Managers shall have the right to keep confidential from Members for such period of time as the Board of Managers deems reasonable any information which the Board of Managers reasonably believes to be in the nature of trade secrets or other information the disclosure of which the Board of Managers in good faith believes is not in the best interests of the Company or could

damage the Company or its business or which the Company is required by law or by agreement with a third party to keep confidential.

4.4 INSPECTION BY MANAGERS.

Every Manager (and any individuals who are permitted to attend and observe meetings of the Board of Managers, subject to the limitations set forth in the Operating Agreement) shall have the right at any reasonable time to inspect all books, records and documents of every kind and the physical properties of the Company for a purpose reasonably related to his position as Manager. This inspection by a Manager may be made in person or by an agent or attorney and the right of inspection includes the right to copy and make extracts of documents.

ARTICLE V

GENERAL MATTERS

5.1 CHECKS, DRAFTS, EVIDENCE OF INDEBTEDNESS.

All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable by the Company shall be signed or endorsed in such manner and by such person or persons as shall be designated from time to time in accordance with the resolution of the Board of Managers.

5.2 REPRESENTATION OF SHARES OF OTHER ENTITIES HELD BY THE COMPANY.

The Chief Executive Officer and President or any other person authorized by the Board of Managers is authorized to vote or represent on behalf of the Company any and all shares (or similar equity interests) of any corporation,

partnership, limited liability company, trusts or other entities, foreign or domestic, standing in the name of the Company. Such authority may be exercised in person or by a proxy duly executed by such designated person.

5.3 SEAL.

The Board of Managers may approve and adopt an official seal of the Company, which may be altered by them at any time. Unless otherwise required by the Board of Managers, any seal so adopted shall not be necessary to be placed on, and its absence shall not impair the validity of, any document, instrument or other paper executed and delivered by or on behalf of the Company.

ARTICLE VI

AMENDMENTS AND INCORPORATION BY REFERENCE

6.1 AMENDMENT.

These By-laws may be restated, amended, supplemented or repealed only by the unanimous vote of the Board of Managers or the affirmative vote of a Majority in Interest of Members (or such other vote of Members holding such other number of Membership Units as shall be required by the Operating Agreement, these By-laws or applicable law).

6.2 INCORPORATION BY REFERENCE OF BY-LAWS INTO OPERATING AGREEMENT.

These By-laws and any amendments hereto shall be deemed incorporated by reference in the Operating Agreement.

ARTICLE VII

INDEMNIFICATION

7.1 INDEMNIFICATION OF MANAGERS, OFFICERS, EMPLOYEES AND AGENTS.

(a) Each Person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter, a "proceeding") by reason of the fact that he or she is or was a Manager or an officer of the Company (or exercised his or her rights with respect to meetings of the Board of Managers), or is or was serving at the request of the Company as a manager, director, officer, employee or agent of another limited liability company or of a corporation, partnership, joint venture, trust or other enterprise, including a service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such a proceeding is alleged action in an official capacity as a Manager, officer, employee or agent or in

any other capacity while serving as a Manager, officer, employee or agent, shall be indemnified and held harmless by the Company to the fullest extent authorized by the Delaware Act (including indemnification for negligence or gross negligence but excluding indemnification (i) for acts or omissions involving actual fraud or willful misconduct or (ii) with respect to any transaction from which the indemnitee derived an improper personal benefit), against all expense, liability and loss (including attorneys' fees, judgments, fines, excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith.

(b) The right to indemnification conferred in paragraph (a) shall include the right to be paid by the Company the expenses (including attorneys' fees) incurred in defending any proceeding in advance of its final disposition (hereinafter an "advancement of expenses"). The rights to indemnification and to the advancement of expenses conferred in paragraph (a) and this paragraph (b) shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a Manager, officer, employee or

agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators.

(c) The rights to indemnification and to the advancement of expenses conferred in this Section 7.1 shall not be exclusive of any other right that any Person may have or hereafter acquire under any statute, agreement, vote of the Managers or otherwise.

(d) The Company may maintain insurance, at its expense, to protect itself and any Manager, officer, employee or agent of the Company or another limited liability company, consultant, corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Company would have the power to indemnify such Person against such expense, liability or loss under the Delaware Act.

(e) The Company may, to the extent authorized from time to time by the Board of Managers, grant rights to indemnification and to advancement of expenses to any employee or agent of the Company to the fullest extent of the provisions of this Section 7.1 with respect to the indemnification and advancement of expenses of Managers and officers of the Company.

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EXHIBIT 3.5

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DONJOY, L.L.C.

(A DELAWARE LIMITED LIABILITY COMPANY)

BY-LAWS

ADOPTED AS OF JUNE 30, 1999

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BY-LAWS

OF

DONJOY, L.L.C.

INTRODUCTION

A. Agreement. These By-laws (the "By-laws") are subject to (i)

and made part of the Amended and Restated Operating Agreement dated as of June 30, 1999, as the same may from time to time be amended and in effect (the "Operating Agreement"), of DonJoy, L.L.C., a Delaware limited liability company (the "Company") and (ii) the Members' Agreement, dated as of June 30, 1999 among the Company and the members party thereto (the "Members' Agreement"). In the event of any inconsistency between the terms hereof and the terms of the Operating Agreement and the Members' Agreement, the terms of the Operating Agreement shall control.

B. Definitions. Capitalized terms used and not defined in these By-laws have the meanings ascribed to such terms in the Operating Agreement.

ARTICLE I

MEETINGS OF MEMBERS

1.1 PLACE OF MEETINGS AND MEETINGS BY TELEPHONE.

Meetings of Members shall be held at any place designated by the Board of Managers. In the absence of any such designation, meetings of Members shall be held at the principal place of business of the Company. Any meeting of the Members may be held by conference telephone or similar communication equipment so long as all Members participating in the meeting can hear one another, and all Members participating by telephone or similar communication equipment shall be deemed to be present in person at the meeting.

1.2 CALL OF MEETINGS.

Meetings of Members may be called at any time by the Board of Managers or the Chief Executive Officer and President for the purpose of taking action upon any matter requiring the vote or authority of the Members as provided herein or in the Operating Agreement or upon any other matter as to which such vote or authority is deemed by the Board of Managers or the Chief Executive Officer and President to be necessary or desirable.

1.3 NOTICE OF MEETINGS OF MEMBERS.

All notices of meetings of Members shall be sent or otherwise given in accordance with Section 1.4 of this Article I not less then ten nor more than sixty days

before the date of the meeting. The notice shall specify the place, date and hour of the meeting.

1.4 MANNER OF GIVING NOTICE.

Notice of any meeting of Members shall be given personally or by

telephone to each Member (in the event any Member is a corporation, partnership or limited liability company, such notice shall be to any vice president, general partner, managing member, respectively, or other responsible officer of such entity) or sent by first class mail, postage prepaid, by telegram or telecopy (or similar electronic means) or by a nationally recognized overnight courier, charges prepaid, addressed to the Member at the address of that Member appearing on the books of the Company or given by the Member to the Company for the purpose of notice. Notice shall be deemed to have been given at the time when delivered either personally or by telephone, or at the time when deposited in the mail or with a nationally recognized overnight courier, or when sent by telegram or telecopy (or similar electronic means).

1.5 ADJOURNED MEETING; NOTICE.

Any meeting of Members, whether or not a quorum is present, may be adjourned from time to time by the vote of a Majority in Interest of Members represented at that meeting, either in person or by proxy. When any meeting of Members is adjourned to another time or place, notice need not be given of the adjourned meeting, unless a new record date of the adjourned meeting is fixed or unless the adjournment is for more than thirty days from the date set for the original meeting, in which case the Board of Managers shall set a new record date and shall give notice in accordance with the provisions of Sections 1.3 and 1.4 of this Article I. At any adjourned meeting, the Company may transact any business that might have been transacted at the original meeting.

1.6 QUORUM; VOTING.

At any meeting of the Members, the presence of a Majority in Interest of Members, in person or by proxy, shall constitute a quorum for all purposes, unless or except to the extent that the presence of Members holding such other percentage of Units is required by the Operating Agreement, these By-laws or applicable law. Except as otherwise required by the Operating Agreement, these By-laws or applicable law, all matters shall be determined by an affirmative vote of a Majority in Interest of Members.

1.7 WAIVER OF NOTICE BY CONSENT OF ABSENT MEMBERS.

The transactions of a meeting of Members, however called and noticed and wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if a quorum is present either in person or by proxy and if, either before or after the meeting, each person entitled to vote who was not present in person or by proxy signs a written waiver of notice or a consent to a holding of the meeting or an approval of the minutes. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any meeting of Members. Attendance by a person at a

meeting shall also constitute a waiver of notice of that meeting, except when the person objects at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened.

1.8 MEMBER ACTION BY WRITTEN CONSENT WITHOUT A MEETING.

Any action that may be taken at any meeting of Members may be taken without a meeting and without prior notice if a consent in writing setting forth the action so taken is signed by a Majority in Interest of Members (or Members holding such other percentage of Units as is required to authorize or take such action under the terms of the Operating Agreement, these By-laws or applicable law). Any such written consent may be executed and given by telecopy or similar electronic means. Such consents shall be filed with the Secretary of the Company and shall be maintained in the Company's records. A copy of any such consent shall be provided to any Member who does not sign such consent.

1.9 RECORD DATE FOR MEMBER NOTICE, VOTING AND GIVING CONSENTS.

(a) For purposes of determining the Members entitled to vote or act at any meeting or adjournment thereof, the Board of Managers may fix in advance a record date which shall not be greater than sixty days nor fewer than ten days before the date of any such meeting. If the Board of Managers does not so fix a record date, the record date for determining Members entitled to notice of or to vote at a meeting of Members shall be at the close of business on the business day immediately preceding the day on which notice is given, or if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

(b) The record date for determining the Members entitled to give consent to action in writing without a meeting, (i) when no prior action of the Board of Managers has been taken, shall be the day on which the first written consent is given, or (ii) when prior action of the Board of Managers has been taken, shall be such date as determined for that purpose by the Board of Managers, which record date shall not precede the date upon which the resolution fixing it is adopted by the Board of Managers and shall not be more than twenty days after the date of such resolution.

(c) Members of record on the record date as herein determined shall have any right to vote or to act at any meeting or give consent to any action relating to such record date, provided that no Member who transfers all or part of such Member's Unit after a record date (and no transferee of such Unit) shall have the right to vote or act with respect to the transferred Unit as regards the matter for which the record date was set.

1.10 PROXIES.

Every Member entitled to vote or act on any matter at a meeting of

Members shall have the right to do so either in person or by proxy, provided that an instrument authorizing such a proxy to act is executed by the Member in writing and dated not more than eleven months before the meeting, unless the instrument specifically provides for a longer period. A proxy shall be deemed executed by a Member if the Member's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission

or otherwise) by the Member or the Member's attorney-in-fact. A valid proxy that does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by (a) the person executing it before the vote pursuant to that proxy by a writing delivered to the Company stating that the proxy is revoked or (b) a subsequent proxy executed by, or by attendance at the meeting and voting in person by, the person executing that proxy or (ii) written notice of the death or incapacity of the maker of that proxy is received by the Company before the vote pursuant to that proxy is counted. A proxy purporting to be executed by or on behalf of a Member shall be deemed valid unless challenged at or prior to its exercise and the burden of proving invalidity shall rest on the challenger. Except to the extent inconsistent with the provisions hereof, the General Corporation Law of the State of Delaware, and judicial construction thereof by the Courts of the State of Delaware, shall be applicable to proxies granted by any Member.

ARTICLE II

MANAGERS AND MEETINGS OF MANAGERS

2.1 POWERS.

The powers of the Managers shall be as provided herein and in the Operating Agreement.

2.2 NUMBER OF MANAGERS.

The Board of Managers shall consist of at least five Managers. The number of Managers shall be initially nine and may thereafter be changed from time to time by action of the Managers.

2.3 VACANCIES.

Newly created vacancies on the Board of Managers resulting from an increase in the number of Managers and vacancies occurring on the Board of Managers for any other reason, including the removal of Managers without cause, may be filled as provided in the Operating Agreement and the Members' Agreement.

2.4 PLACE OF MEETINGS AND MEETINGS BY TELEPHONE.

All meetings of the Board of Managers may be held at any place that has been designated from time to time by resolution of the Board of Managers or in any notice properly given with respect to any such meeting. In the absence of such a designation, regular meetings shall be held at the principal place of business of the Company. Any meeting, regular or special, may be held by conference telephone or similar communication equipment so long as all Managers participating in the meeting can hear one another, and all Managers participating by telephone or similar communication equipment shall be deemed to be present in person at the meeting.

2.5 REGULAR MEETINGS.

Regular meetings of the Board of Managers shall be held at such times and at such places as shall be fixed by approval of the Managers. Such regular meetings may be held without notice.

2.6 SPECIAL MEETINGS.

Special meetings of the Board of Managers for any purpose or purposes may be called at any time by any Manager. Notice of the time and place of a special meeting shall be delivered to each Manager (a) personally, (b) by telephone (and confirmed by one of the methods set out in the immediately succeeding clause (c)), or (c) by telegram, telecopy (or similar electronic means), first-class mail or nationally recognized overnight courier, charges prepaid, addressed to each Manager at that Manager's address as it is shown on the records of the Company. If the notice is mailed, it shall be deposited in the United States mail at least ten calendar days before the time of the holding of the meeting. If the notice is delivered personally or by telephone or by telegram, telecopy (or similar electronic means) or by a nationally recognized overnight courier, it shall be given at least twenty-four hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the Manager or to a person at the office of the Manager who the person giving the notice has reason to believe will promptly communicate it to the Manager. The notice need not specify the purpose of the meeting.

2.7 QUORUM; CHAIRMAN.

The Managers holding a majority of the votes entitled to be cast shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 1.9 of this Article II. Every act or decision done or made by the affirmative vote of a majority of Managers entitled to cast votes at a meeting duly held at which a quorum is present shall be regarded as the act of

the Board of Managers, except to the extent that the vote of a higher number of Managers is required by the Operating Agreement, these By-laws or applicable law. The Board of Managers may from time to time appoint any Manager to serve as Chairman of the Board of Managers, who shall preside at all meetings of the Board of Managers and of the Members. If at the time of any such meeting, there shall not be a Chairman of the Board of Managers, or the then incumbent Chairman does not attend or participate in such meeting, then the Board of Managers shall appoint a person to preside at such meeting.

2.8 WAIVER OF NOTICE.

Notice of any meeting need not be given to any Manager who either before or after the meeting signs a written waiver of notice, a consent to holding the meeting or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents, and approvals shall be filed with the records of the Company or made a part of the minutes of the meeting. Notice of a meeting shall

also be deemed given to any Manager who attends the meeting without protesting, at or prior to its commencement, the lack of notice to that Manager.

2.9 ADJOURNMENT.

Managers present at any meeting entitled to cast a majority of all votes entitled to be cast by such Managers, whether or not constituting a quorum, may adjourn any meeting to another time and place. Notice of the time and place of holding an adjourned meeting need not be given unless the meeting is adjourned for more than forty-eight hours, in which case notice of the time and place shall be given before the time of the adjourned meeting in the manner specified in Section 2.6 of this Article II.

2.10 ACTION WITHOUT A MEETING.

Any action to be taken by the Board of Managers at a meeting may be taken without such meeting by the written consent of all the Managers then in office. Any such written consent may be executed and given by telecopy or similar electronic means. Such written consents shall be filed with the minutes of the proceedings of the Board of Managers.

2.11 DELEGATION OF POWER.

Any Manager may, by power of attorney, delegate his power to any other Manager or Managers; provided, however, that in no case shall fewer than two Managers personally exercise the powers granted to the Managers, except as otherwise provided in the Operating Agreement, Members' Agreement or by

resolution of the Board of Managers. A Manager represented by another Manager pursuant to such power of attorney shall be deemed to be present for purposes of establishing a quorum and satisfying any voting requirements. The Board of Managers may, by resolution, delegate any or all of their powers and duties granted hereunder or under the Operating Agreement or Members' Agreement, to one or more committees of the Board of Managers, each consisting of one or more Managers, or to one or more officers, employees or agents (including, without limitation, Members), and to the extent any such powers or duties are so delegated, action by the delegate or delegates shall be deemed for all purposes to be action by the Board of Managers. Except as otherwise provided in the Operating Agreement or Members' Agreement, all such delegates shall serve at the pleasure of the Board of Managers. To the extent applicable, notice shall be given to, and action may be taken by, any delegate of the Board of Managers as herein provided with respect to notice to, and action by, the Board of Managers.

2.12 VOTING OF MANAGERS.

Each Manager shall be entitled to one vote on all matters the Managers are entitled to vote thereon, except for one of the Chase Nominees (as defined in the Members' Agreement), who shall be entitled to six votes on all matters the Managers are entitled to vote thereon.

ARTICLE III

OFFICERS

3.1 OFFICERS.

The officers of the Company shall be a Chief Executive Officer and President, a Secretary and a Chief Financial Officer. The Company may also have, at the discretion of the Board of Managers, such other officers as may be appointed in accordance with the provisions of Section 3.3 of this Article III, including, without limitation, any number of Vice Presidents. Any number of offices may be held by the same person. Officers may, but need not, be Managers.

3.2 ELECTION OF OFFICERS.

The officers of the Company shall be chosen by the Board of Managers, and each shall serve at the pleasure of the Board of Managers, subject to the rights, if any, of an officer under any contract of employment.

3.3 ADDITIONAL OFFICERS.

The Board of Managers may appoint and may empower the Chief Executive Officer and President to appoint such additional officers as the business of the Company may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these By-laws or as the Board of Managers (or, to the extent the power to prescribe authorities and duties of additional officers is delegated to him or her, the Chief Executive Officer and President) may from time to time determine.

3.4 REMOVAL AND RESIGNATION OF OFFICERS.

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, with or without cause, by the Board of Managers at any regular or special meeting of the Board of Managers or by such officer, if any, upon whom such power of removal may be conferred by the Board of Managers. Any officer may resign at any time by giving written notice to the Company. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice, and unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Company under any contract to which the officer is a party.

3.5 VACANCIES IN OFFICES.

A vacancy in any office because of death, resignation, removal, disqualification or other cause shall be filled by the Board of Managers, subject in the case of the appointment of additional officers by the Chief Executive Officer and President in accordance with Section 3.3 of this Article III. The Chief Executive Officer and

President may make temporary appointments to a vacant office reporting to the Chief Executive Officer and President pending action by the Board of Managers.

3.6 CHIEF EXECUTIVE OFFICER AND PRESIDENT.

The Chief Executive Officer and President shall, subject to the control of the Board of Managers, be responsible for the general supervision, direction and control of the business and the officers of the Company. He or she shall have the general powers and duties of management usually vested in the office of Chief Executive Officer and President of a limited liability company and shall have such other powers and duties as may be prescribed by the Board of Managers, the Operating Agreement, the Members' Agreement or these By-laws.

3.7 SECRETARY.

The Secretary shall keep or cause to be kept at the principal place of business of the Company or such other place as the Board of Managers may direct a book of minutes of all meetings and actions of the Board of Managers, committees or other delegates of the Board of Managers (appointed in accordance with the provisions of Section 2.11 of Article II) and the Members. The Secretary shall keep or cause to be kept at the principal place of business of the Company a register or a duplicate register showing the names of all Members and their addresses, the class and percentage interests in the Company held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation. The Secretary shall give or cause to be given notice of all meetings of the Members and of the Board of Managers (or committees or other delegates thereof) required to be given by these By-laws or by applicable law and shall have such other powers and perform such other duties as may be prescribed by the Board of Managers or the Chief Executive Officer and President or by these By-laws.

3.8 CHIEF FINANCIAL OFFICER.

The Chief Financial Officer shall keep and maintain or cause to be kept and maintained adequate and correct books and records of accounts of the properties and business transactions of the Company. The books of account shall at all reasonable times be open to inspection by any Manager. The Chief Financial Officer shall deposit all monies and other valuables in the name and to the credit of the Company with such depositaries as may be designated by the Board of Managers. He or she shall disburse the funds of the Company as may be ordered by the Board of Managers, shall render to the Chief Executive Officer and President and the Board of Managers, whenever they request it, an account of all of his or her transactions as Chief Financial Officer and of the financial condition of the Company and shall have other powers and perform such other duties as may be prescribed by the Board of Managers or the Chief Executive Officer and President or these By-laws.

ARTICLE IV

MAINTENANCE AND INSPECTION OF RECORDS

4.1 MEMBER LIST.

The Company shall maintain at its principal place of business a record of its Members, giving the names and addresses of all Members and the class and

membership interests in the Company held by each Member. Subject to such reasonable standards (including standards governing what information and documents are to be furnished and at whose expense) as may be established by the Board of Managers from time to time, each Member has the right to obtain from the Company from time to time upon reasonable demand for any purpose reasonably related to the Member's interest as a Member of the Company a record of the Company's Members.

4.2 BY-LAWS.

The Company shall keep at its principal place of business the original or a copy of these By-laws as amended to date, which shall be open to inspection by the Members at all reasonable times during office hours.

4.3 OTHER RECORDS.

The accounting books and records, minutes of proceedings of the Members and the Board of Managers and any committees or delegates of the Board of Managers and all other information pertaining to the Company that is required to be made available to the Members under the Delaware Act shall be kept at such place or places designated by the Board of Managers or in the absence of such designation, at the principal place of business of the Company. The minutes shall be kept in written form and the accounting books and records and other information shall be kept either in written form or in any other form capable of being converted into written form. The books of account and records of the Company shall be maintained in accordance with generally accepted accounting principles consistently applied during the term of the Company, wherein all transactions, matters and things relating to the business and properties of the Company shall be currently entered, subject to such reasonable standards (including standards, governing what information and documents are to be furnished and at whose expense) as may be established by the Board of Managers from time to time; and minutes, accounting books and records and other information shall be open to inspection upon the written demand of any Member at any reasonable time during usual business hours for purposes reasonably related to the Member's interests as a Member. Any such inspection may be made in person or by an agent or attorney and shall include the right to copy and make extracts. Notwithstanding the foregoing, the Board of Managers shall have the right to keep confidential from Members for such period of time as the Board of Managers deems reasonable any information which the Board of Managers reasonably believes to be in the nature of trade secrets or other information the disclosure of which the Board of Managers in good faith believes is not in the best interests of the Company or could

damage the Company or its business or which the Company is required by law or by agreement with a third party to keep confidential.

4.4 INSPECTION BY MANAGERS.

Every Manager (and any individuals who are permitted to attend and observe the meetings of the Board of Managers, subject to the limitations set forth in the Operating Agreement) shall have the right at any reasonable time to inspect all books, records and documents of every kind and the physical properties of the Company for a purpose reasonably related to his position as Manager. This inspection by a Manager may be made in person or by an agent or attorney and the right of inspection includes the right to copy and make extracts of documents.

ARTICLE V

GENERAL MATTERS

5.1 CHECKS, DRAFTS, EVIDENCE OF INDEBTEDNESS.

All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable by the Company shall be signed or endorsed in such manner and by such person or persons as shall be designated from time to time in accordance with the resolution of the Board of Managers.

5.2 REPRESENTATION OF SHARES OF OTHER ENTITIES HELD BY THE COMPANY.

The Chief Executive Officer and President or any other person authorized by the Board of Managers is authorized to vote or represent on behalf of the Company any and all shares (or similar equity interests) of any corporation, partnership, limited liability company, trusts or other entities, foreign or domestic, standing in the name of the Company. Such authority may be exercised in person or by a proxy duly executed by such designated person.

5.3 SEAL.

The Board of Managers may approve and adopt an official seal of the Company, which may be altered by them at any time. Unless otherwise required by the Board of Managers, any seal so adopted shall not be necessary to be placed on, and its absence shall not impair the validity of, any document, instrument or other paper executed and delivered by or on behalf of the Company.

ARTICLE VI

AMENDMENTS AND INCORPORATION BY REFERENCE

6.1 AMENDMENT.

These By-laws may be restated, amended, supplemented or repealed only by the unanimous vote of the Board of Managers or the affirmative vote of a Majority in Interest of Members (or such other vote of Members holding such other number of Units as shall be required by the Operating Agreement, these By-laws or applicable law).

ARTICLE VII

INDEMNIFICATION

7.1 INDEMNIFICATION OF MANAGERS, OFFICERS, EMPLOYEES AND AGENTS.

(a) Each Person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter, a "proceeding") by reason of the fact that he or she is or was a Manager or an officer of the Company (or exercised his or her observation rights with respect to meetings of the Board of Managers), or is or was serving at the request of the Company as a manager, director, officer, employee or agent of another limited liability company or of a corporation, partnership, joint venture, trust or other enterprise, including a service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such a proceeding is alleged action in an official capacity as a Manager, officer, employee or agent or in any other capacity while serving as a Manager, officer, employee or agent, shall be indemnified and held harmless by the Company to the fullest extent authorized by the Delaware Act (including indemnification for negligence or gross negligence but excluding indemnification (i) for acts or omissions involving actual fraud or willful misconduct or (ii) with respect to any transaction from which the indemnitee derived an improper personal benefit), against all expense, liability and loss (including attorneys' fees, judgments, fines, excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith.

(b) The right to indemnification conferred in paragraph (a) shall include the right to be paid by the Company the expenses (including attorneys' fees) incurred in defending any proceeding in advance of its final disposition (hereinafter an "advancement of expenses"). The rights to indemnification and to the advancement of expenses conferred in paragraph (a) and this paragraph (b) shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a Manager, officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators.

(c) The rights to indemnification and to the advancement of expenses conferred in this Section 7.1 shall not be exclusive of any other right that

any Person may

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have or hereafter acquire under any statute, agreement, vote of the Managers or otherwise.

(d) The Company may maintain insurance, at its expense, to protect itself and any Manager, officer, employee or agent of the Company or another limited liability company, consultant, corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Company would have the power to indemnify such Person against such expense, liability or loss under the Delaware Act.

(e) The Company may, to the extent authorized from time to time by the Board of Managers, grant rights to indemnification and to advancement of expenses to any employee or agent of the Company to the fullest extent of the provisions of this Section 7.1 with respect to the indemnification and advancement of expenses of Managers and officers of the Company.

* * * * *

EXHIBIT 3.6

DJ ORTHOPEDICS CAPITAL CORPORATION

INCORPORATED UNDER THE LAWS
OF THE STATE OF DELAWARE

BY-LAWS

AS ADOPTED ON JUNE 30, 1999

BY-LAWS OF

DJ ORTHOPEDICS CAPITAL CORPORATION

ARTICLE I

OFFICES

1.1 REGISTERED OFFICE.

The registered office of DJ Orthopedics Capital Corporation (the "Corporation") in the State of Delaware shall be at 9 East Loockerman Street, City of Dover, County of Kent 19901, and the registered agent in charge thereof shall be National Registered Agents, Inc.

1.2 OTHER OFFICES.

The Corporation may also have an office or offices at any other place or places within or outside the State of Delaware.

ARTICLE II

2.1 ANNUAL MEETINGS.

The annual meeting of the stockholders for the election of directors, and for the transaction of such other business as may properly come before the meeting, shall be held at such place, date and hour as shall be fixed by the Board of Directors (the "Board") and designated in the notice or waiver of notice thereof, except that no annual meeting need be held if all actions, including the election of directors, required by the General Corporation Law of the State of Delaware (the "Delaware Statute") to be taken at a stockholders' annual meeting are taken by written consent in lieu of meeting pursuant to Section 2.10 of this Article II.

2.2 SPECIAL MEETINGS.

A special meeting of the stockholders for any purpose or purposes may be called by the Board, the Chairman, the Chief Executive Officer, the President or the record holders of at least a majority of the issued and outstanding shares of Common Stock of the Corporation, to be held at such place, date and hour as shall be designated in the notice or waiver of notice thereof.

2.3 NOTICE OF MEETINGS.

Except as otherwise required by statute, the Certificate of Incorporation of the Corporation (the "Certificate") or these By-laws, notice of each annual or special meeting of the stockholders shall be given to each stockholder of record entitled to vote at such meeting not less than 10 nor more than 60 days before the day on which the meeting is to be held, by delivering written notice thereof to him personally, or by mailing a copy of such notice, postage prepaid, directly to him at his address as it appears in the records of the Corporation, or by transmitting such notice thereof to him at such address by telegraph, cable or other telephonic transmission. Every such notice shall state the place, the date and hour of the meeting, and, in case of a special meeting, the purpose or purposes for which the meeting is called. Notice of any meeting of stockholders shall not be required to be given to any stockholder who shall attend such meeting in person or by proxy, or who shall, in person or by attorney thereunto authorized, waive such notice in writing, either before or after such meeting. Except as otherwise provided in these By-laws, neither the business to be transacted at, nor the purpose of, any meeting of the stockholders need be specified in any such notice or waiver of notice. Notice of any adjourned meeting of stockholders shall not be

required to be given, except when expressly required by law.

2.4 QUORUM.

At each meeting of the stockholders, except where otherwise provided by the Certificate or these By-laws, the holders of a majority of the issued and outstanding shares of Common Stock of the Corporation entitled to vote at such meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business. In the absence of a quorum, a majority in interest of the stockholders present in person or represented by proxy and entitled to vote, or, in the absence of all the stockholders entitled to vote, any officer entitled to preside at, or act as secretary of, such meeting, shall have the power to adjourn the meeting from time to time, until stockholders holding the requisite amount of stock to constitute a quorum shall be present or represented. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally called.

2.5 ORGANIZATION.

(a) Unless otherwise determined by the Board, at each meeting of the stockholders, one of the following shall act as chairman of the meeting and preside thereat, in the following order of precedence:

(i) the Chairman;

(ii) the Chief Executive Officer;

(iii) the President;

(iv) any director, officer or stockholder of the Corporation designated by the Board to act as chairman of such meeting and to preside thereat if the Chairman, the Chief Executive Officer or the President shall be absent from such meeting; or

(v) a stockholder of record who shall be chosen chairman of such meeting by a majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat.

(b) The Secretary or, if he shall be presiding over such meeting in accordance with the provisions of this Section 2.5 or if he shall be

absent from such meeting, the person (who shall be an Assistant Secretary, if an Assistant Secretary has been appointed and is present) whom the chairman of such meeting shall appoint, shall act as secretary of such meeting and keep the minutes thereof.

2.6 ORDER OF BUSINESS.

The order of business at each meeting of the stockholders shall be determined by the chairman of such meeting, but such order of business may be changed by a majority in voting interest of those present in person or by proxy at such meeting and entitled to vote thereat.

2.7 VOTING.

Except as otherwise provided by law, the Certificate or these By-laws, at each meeting of the stockholders, every stockholder of the Corporation shall be entitled to one vote in person or by proxy for each share of Common Stock of the Corporation held by him and registered in his name on the books of the Corporation on the date fixed pursuant to Section 6.7 of Article VI as the record date for the determination of stockholders entitled to vote at such meeting. Persons holding stock in a fiduciary capacity shall be entitled to vote the shares so held. A person whose stock is pledged shall be entitled to vote, unless, in the transfer by the pledgor on the books of the Corporation, he has expressly empowered the pledgee to vote thereon, in which case only the pledgee or his proxy may represent such stock and vote thereon. If shares or other securities having voting power stand in the record of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or otherwise, or if two or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary shall be given written notice to the contrary and furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect:

(i) if only one votes, his act binds all;

(ii) if more than one votes, the act of the majority so voting binds all; and

(iii) if more than one votes, but the vote is evenly split on any particular matter, such shares shall be voted in the manner provided by law.

If the instrument so filed shows that any such tenancy is held in unequal interests, a majority or even-split for the purposes of this Section 2.7 shall be a majority or even-split in interest. The Corporation shall not vote directly or indirectly any share of its own capital stock. Any vote of stock may be given by the stockholder entitled thereto in person or by his proxy appointed by an instrument in writing, subscribed by such stockholder or by his attorney thereunto authorized, delivered to the secretary of the meeting; provided, however, that no proxy shall be voted after three years from its date, unless said proxy provides for a longer period. At all meetings of the stockholders, all matters (except where other provision is made by law, the Certificate or these By-laws) shall be decided by the vote of a majority in interest of the stockholders present in person or by proxy at such meeting and entitled to vote thereon, a quorum being present. Unless demanded by a stockholder present in person or by proxy at any meeting and entitled to vote thereon, the vote on any question need not be by ballot. Upon a demand by any such stockholder for a vote by ballot upon any question, such vote by ballot shall be taken. On a vote by ballot, each ballot shall be signed by the stockholder voting, or by his proxy, if there be such proxy, and shall state the number of shares voted.

2.8 INSPECTION.

The chairman of the meeting may at any time appoint one or more inspectors to serve at any meeting of the stockholders. Any inspector may be removed, and a new inspector or inspectors appointed, by the Board at any time. Such inspectors shall decide upon the qualifications of voters, accept and count votes, declare the results of such vote, and subscribe and deliver to the secretary of the meeting a certificate stating the number of shares of stock issued and outstanding and entitled to vote thereon and the number of shares voted for and against the question, respectively. The inspectors need not be stockholders of the Corporation, and any director or officer of the Corporation may be an inspector on any question other than a vote for or against his election to any position with the Corporation or on any other matter in which he may be directly interested. Before acting as herein provided, each inspector shall subscribe an oath faithfully to execute the duties of an inspector with strict impartiality and according to the best of his ability.

2.9 LIST OF STOCKHOLDERS.

It shall be the duty of the Secretary or other officer of the Corporation who shall have charge of its stock ledger to prepare and make, at least 10 days before every meeting of the stockholders, a complete list of the stockholders entitled to vote thereat, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to any such meeting, during ordinary business hours, for a period of at least 10 days prior to such meeting, either at a place within the city where such meeting is to be held, which place shall be specified in the notice of the meeting or, if not so specified, at the place where the meeting is to be

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held. Such list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

2.10 STOCKHOLDERS' CONSENT IN LIEU OF MEETING.

Any action required by the Delaware Statute to be taken at any annual or special meeting of the stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, by a consent in writing, as permitted by the Delaware Statute.

ARTICLE III

BOARD OF DIRECTORS

3.1 GENERAL POWERS.

The business, property and affairs of the Corporation shall be managed by or under the direction of the Board, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law or by the Certificate directed or required to be exercised or done by the stockholders.

3.2 NUMBER AND TERM OF OFFICE.

The number of directors shall be fixed from time to time by the Board. Directors need not be stockholders. Each director shall hold office until his successor is elected and qualified, or until his earlier death or resignation or removal in the manner hereinafter provided. The intial number of directors of the Corporation shall be set at seven.

3.3 ELECTION OF DIRECTORS.

At each meeting of the stockholders for the election of directors at which a quorum is present, the persons receiving the greatest number of votes, up to the number of directors to be elected, of the stockholders present in person or by proxy and entitled to vote thereon shall be the directors; provided, however, that for purposes of such vote no stockholder shall be allowed to cumulate his votes. Unless an election by ballot shall be demanded as provided in Section 2.7 of Article II, election of directors may be

conducted in any manner approved at such meeting.

3.4 RESIGNATION, REMOVAL AND VACANCIES.

(a) Any director may resign at any time by giving written notice to the Board, the Chairman, the Chief Executive Officer, the President or the Secretary. Such resignation shall take effect at the time specified therein or, if the time be not specified, upon receipt thereof; unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

(b) Any director or the entire Board may be removed, with or without cause, at any time by vote of the holders of a majority of the shares then entitled to vote at an election of directors or by written consent of the stockholders pursuant to Section 2.10 of Article II.

(c) Vacancies occurring on the Board for any reason may be filled by vote of the stockholders or by the stockholders' written consent pursuant to Section 2.10 of Article II, or by vote of the Board or by the directors' written consent pursuant to Section 3.6 of this Article III. If the number of directors then in office is less than a quorum, such vacancies may be filled by a vote of a majority of the directors then in office.

3.5 MEETINGS.

(a) Annual Meetings. As soon as practicable after each annual election of directors, the Board shall meet for the purpose of organization and the transaction of other business, unless it shall have transacted all such business by written consent pursuant to Section 3.6 of this Article III.

(b) Other Meetings. Other meetings of the Board shall be held at such times and places as the Board, the Chairman, the Chief Executive Officer, the President or any director shall from time to time determine.

(c) Notice of Meetings. Notice shall be given to each director of each meeting, including the time, place and purpose of such meeting. Notice of each such meeting shall be mailed to each director, addressed to him at his residence or usual place of business, at least two days before the date on which such meeting is to be held, or shall be sent to him at such place by telegraph, cable, wireless or other form of recorded communication, or be delivered personally or by telephone not later than the day before the day on which such meeting is to be held, but notice need not be given to any director

who shall attend such meeting. A written waiver of notice, signed by the person entitled thereto, whether before or after the time of the meeting stated therein, shall be deemed equivalent to notice.

(d) Place of Meetings. The Board may hold its meetings at such place or places within or outside the State of Delaware as the Board may from time to time determine, or as shall be designated in the respective notices or waivers of notice thereof.

(e) Quorum and Manner of Acting. A majority of the total number of directors then in office shall be present in person at any meeting of the Board in order to constitute a quorum for the transaction of business at such meeting, and the vote of a majority of those directors present at any such meeting at which a quorum is present shall be necessary for the passage of any resolution or act of the Board, except as otherwise expressly required by law or these By-laws. In the absence of a quorum for any such meeting, a majority of the directors present thereat may adjourn such meeting from time to time until a quorum shall be present.

(f) Organization. At each meeting of the Board, one of the following shall act as chairman of the meeting and preside thereat, in the following order of precedence:

(i) the Chairman;

(ii) the Chief Executive Officer;

(iii) the President (if a director); or

(iv) any director designated by a majority of the directors present.

The Secretary or, in the case of his absence, an Assistant Secretary, if an Assistant Secretary has been appointed and is present, or any person whom the chairman of the meeting shall appoint shall act as secretary of such meeting and keep the minutes thereof.

3.6 DIRECTORS' CONSENT IN LIEU OF MEETING.

Any action required or permitted to be taken at any meeting of the Board may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by

all the directors then in office and such consent is filed with the minutes of the proceedings of the Board.

3.7 ACTION BY MEANS OF CONFERENCE TELEPHONE OR SIMILAR COMMUNICATIONS EQUIPMENT.

Any one or more members of the Board may participate in a meeting of the Board by means of conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

3.8 COMMITTEES.

The Board may, by resolution or resolutions passed by a majority of the whole Board, designate one or more committees, each such committee to consist of one or more directors of the Corporation, which to the extent provided in said resolution or resolutions shall have and may exercise the powers of the Board in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it, such committee or committees to have such name or names as may be determined from time to time by resolution adopted by the Board. A majority of all the members of any such committee may determine its action and fix the time and place of its meetings, unless the Board shall otherwise provide. The Board shall have power to change the members of any such committee at any time, to fill vacancies and to discharge any such committee, either with or without cause, at any time.

ARTICLE IV

OFFICERS

4.1 EXECUTIVE OFFICERS.

The principal officers of the Corporation shall be a Chairman, if one is appointed (and any references to the Chairman shall not apply if a Chairman has not been appointed), a Chief Executive Officer, a President, a Chief Financial Officer and a Secretary, and may include such other officers as the Board may appoint pursuant to Section 4.3 of this Article IV. Any two or more offices may be held by the same person.

4.2 AUTHORITY AND DUTIES.

All officers, as between themselves and the Corporation, shall have such authority and perform such duties in the management of the Corporation as may be provided in these By-laws or, to the extent so provided, by the Board.

4.3 OTHER OFFICERS.

The Corporation may have such other officers, agents and employees as the Board may deem necessary, including one or more Assistant Secretaries and one or more Vice Presidents, each of whom shall hold office for such period, have such authority and perform such duties as the Board, the Chairman, the Chief Financial Officer or the President may from time to time determine. The Board may delegate to any principal officer the power to appoint and define the authority and duties of, or remove, any such officers, agents or employees.

4.4 TERM OF OFFICE, RESIGNATION AND REMOVAL.

(a) All officers shall be elected or appointed by the Board and shall hold office for such term as may be prescribed by the Board. Each officer shall hold office until his successor has been elected or appointed and qualified or until his earlier death or resignation or removal in the manner hereinafter provided. The Board may require any officer to give security for the faithful performance of his duties.

(b) Any officer may resign at any time by giving written notice to the Board, the Chairman, the Chief Executive Officer, the President or the Secretary. Such resignation shall take effect at the time specified therein or, if the time be not specified, at the time it is accepted by action of the Board. Except as aforesaid, the acceptance of such resignation shall not be necessary to make it effective.

(c) All officers and agents elected or appointed by the Board shall be subject to removal at any time by the Board or by the stockholders of the Corporation with or without cause.

4.5 VACANCIES.

If the office of Chairman, Chief Executive Officer, President, Chief Financial Officer or Secretary becomes vacant for any reason, the Board shall fill such vacancy, and if any other office becomes vacant, the Board may fill such vacancy. Any officer so appointed or elected by the Board shall serve only until such time as the unexpired term of his predecessor shall have

expired, unless reelected or reappointed by the Board.

4.6 THE CHAIRMAN.

The Chairman shall give counsel and advice to the Board and the officers of the Corporation on all subjects concerning the welfare of the Corporation and the conduct of its business and shall perform such other duties as the Board may from time to time determine. Unless otherwise determined by the Board, he shall preside at meetings of the Board and of the Stockholders at which he is present.

4.7 THE CHIEF EXECUTIVE OFFICER.

The Chief Executive Officer shall be responsible for the general direction of the business and affairs of the Corporation, subject to the authority of the Board of Directors and the Chairman, and shall perform such other duties as may from time to time be assigned to him by the Board of Directors, the Chairman, or as prescribed by law or these By-laws.

4.8 THE PRESIDENT.

The President shall be the chief operating and administrative officer of the Corporation, subject to the authority of the Board of Directors, the Chairman and the Chief Executive Officer. After the Chairman and the Chief Executive Officer, he shall direct the policies and management of the Corporation. The President shall perform such other duties as from time to time may be assigned to him by the Board of Directors, the Chairman or the Chief Executive Officer, or as otherwise prescribed by law of these By-laws.

4.9 THE SECRETARY.

The Secretary shall, to the extent practicable, attend all meetings of the Board and all meetings of the stockholders and shall record all votes and the minutes of all proceedings in a book to be kept for that purpose. He may give, or cause to be given, notice of all meetings of the stockholders and of the Board, and shall perform such other duties as may be prescribed by the Board, the Chairman, the Chief Executive Officer or the President, under whose supervision he shall act. He shall keep in safe custody the seal of the Corporation and affix the same to any duly authorized instrument requiring it and, when so affixed, it shall be attested by his signature or by the signature, if appointed, of an Assistant Secretary. He shall keep in safe custody the certificate books and stockholder records and such other books and records as the Board may direct, and shall perform all other duties incident to the office of Secretary and such other duties as from

time to time may be assigned to him by the Board, the Chairman, the Chief Executive Officer or the President.

4.10 THE CHIEF FINANCIAL OFFICER.

The Chief Financial Officer shall have the care and custody of the corporate funds and other valuable effects, including securities, shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board. The Chief Financial Officer shall disburse the funds of the Corporation as may be ordered by the Board, taking proper vouchers for such disbursements, shall render to the Chairman, Chief Executive Officer, President and directors, at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Chief Financial Officer and of the financial condition of the Corporation and shall perform all other duties incident to the office of Chief Financial Officer and such other duties as from time to time may be assigned to him by the Board, the Chairman, Chief Executive Officer or the President.

ARTICLE V

CONTRACTS, CHECKS, DRAFTS, BANK ACCOUNTS, ETC.

5.1 EXECUTION OF DOCUMENTS.

The Board shall designate, by either specific or general resolution, the officers, employees and agents of the Corporation who shall have the power to execute and deliver deeds, contracts, mortgages, bonds, debentures, checks, drafts and other orders for the payment of money and other documents for and in the name of the Corporation, and may authorize such officers, employees and agents to delegate such power (including authority to redelegate) by written instrument to other officers, employees or agents of the Corporation; unless so designated or expressly authorized by these By-laws, no officer, employee or agent shall have any power or authority to bind the Corporation by any contract or engagement, to pledge its credit or to render it liable pecuniarily for any purpose or amount.

5.2 DEPOSITS.

All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation or otherwise as the Board or Chief Financial Officer, or any other officer of the Corporation to whom power in this respect shall have been given by the Board, shall select.

5.3 PROXIES WITH RESPECT TO STOCK OR OTHER SECURITIES OF OTHER CORPORATIONS.

The Board shall designate the officers of the Corporation who shall

have authority from time to time to appoint an agent or agents of the Corporation to exercise in the name and on behalf of the Corporation the powers and rights which the Corporation may have

as the holder of stock or other securities in any other corporation, and to vote or consent with respect to such stock or securities. Such designated officers may instruct the person or persons so appointed as to the manner of exercising such powers and rights, and such designated officers may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal or otherwise, such written proxies, powers of attorney or other instruments as they may deem necessary or proper in order that the Corporation may exercise its powers and rights.

ARTICLE VI

SHARES AND THEIR TRANSFER; FIXING RECORD DATE

6.1 CERTIFICATES FOR SHARES.

Every owner of stock of the Corporation shall be entitled to have a certificate certifying the number and class of shares owned by him in the Corporation, which shall be in such form as shall be prescribed by the Board. Certificates shall be numbered and issued in consecutive order and shall be signed by, or in the name of, the Corporation by the Chairman, the Chief Executive Officer, the President, the Chief Financial Officer or any Vice President, and by the Secretary (or an Assistant Secretary, if appointed). In case any officer or officers who shall have signed any such certificate or certificates shall cease to be such officer or officers of the Corporation, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates may nevertheless be adopted by the Corporation and be issued and delivered as though the person or persons who signed such certificate had not ceased to be such officer or officers of the Corporation.

6.2 RECORD.

A record in one or more counterparts shall be kept of the name of the person, firm or corporation owning the shares represented by each certificate for stock of the Corporation issued, the number of shares represented by each such certificate, the date thereof and, in the case of cancellation, the date of cancellation. Except as otherwise expressly required by law, the person in whose name shares of stock stand on the stock record of the Corporation shall

be deemed the owner thereof for all purposes regarding the Corporation.

6.3 TRANSFER AND REGISTRATION OF STOCK.

(a) The transfer of stock and certificates which represent the stock of the Corporation shall be governed by Article 8 of Subtitle 1 of Title 6 of the Delaware Code (the Uniform Commercial Code), as amended from time to time.

(b) Registration of transfers of shares of the Corporation shall be made only on the books of the Corporation upon request of the registered holder thereof, or of his attorney thereunto authorized by power of attorney duly executed and filed with the

Secretary of the Corporation, and upon the surrender of the certificate or certificates for such shares properly endorsed or accompanied by a stock power duly executed.

6.4 ADDRESSES OF STOCKHOLDERS.

Each stockholder shall designate to the Secretary an address at which notices of meetings and all other corporate notices may be served or mailed to him, and, if any stockholder shall fail to designate such address, corporate notices may be served upon him by mail directed to him at his post-office address, if any, as the same appears on the share record books of the Corporation or at his last known post-office address.

6.5 LOST, DESTROYED AND MUTILATED CERTIFICATES.

The holder of any shares of the Corporation shall immediately notify the Corporation of any loss, destruction or mutilation of the certificate therefor, and the Board may, in its discretion, cause to be issued to him a new certificate or certificates for such shares, upon the surrender of the mutilated certificates or, in the case of loss or destruction of the certificate, upon satisfactory proof of such loss or destruction, and the Board may, in its discretion, require the owner of the lost or destroyed certificate or his legal representative to give the Corporation a bond in such sum and with such surety or sureties as it may direct to indemnify the Corporation against any claim that may be made against it on account of the alleged loss or destruction of any such certificate.

6.6 REGULATIONS.

The Board may make such rules and regulations as it may deem expedient, not inconsistent with these By-laws, concerning the issue, transfer and registration of certificates for stock of the Corporation.

6.7 FIXING DATE FOR DETERMINATION OF STOCKHOLDERS OF RECORD.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall be not more than 60 nor less than 10 days before the date of such meeting. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record

date is adopted by the Board, and which date shall be not more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board. If no record date has been fixed by the Board, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board is required by the Delaware Statute, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in this State, its principal place of business or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board and prior action by the Board is required by the Delaware Statute, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board adopts the resolution taking such

prior action.

(c) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

ARTICLE VII

SEAL

The Board may provide a corporate seal, which shall be in the form of a circle and shall bear the full name of the Corporation, the year of incorporation of the Corporation and the words and figures "Corporate Seal - Delaware."

ARTICLE VIII

FISCAL YEAR

The fiscal year of the Corporation shall be the calendar year unless otherwise determined by the Board.

ARTICLE IX

INDEMNIFICATION AND INSURANCE

9.1 INDEMNIFICATION.

(a) As provided in the Certificate, to the fullest extent permitted by the Delaware Statute as the same exists or may hereafter be amended, a director of the Corporation shall not be liable to the Corporation or its stockholders for breach of fiduciary duty as a director.

(b) Without limitation of any right conferred by paragraph (a) of this Section 9.1, each person who was or is made a party or is threatened to

be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director, officer or employee of the Corporation or is or was serving at the request of the Corporation as a director, officer or employee of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity while serving as a director, officer or employee or in any other capacity while serving as a director, officer or employee, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware Statute, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), against all expense, liability and loss (including attorneys' fees, judgments, fines, excise taxes or amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue as to an indemnitee who has ceased to be a director, officer or employee and shall inure to the benefit of the indemnitee's heirs, testators, intestates, executors and administrators; provided, however, that such person acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and with respect to a criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful; provided further, however, that no indemnification shall be made in the case of an action, suit or proceeding by or in the right of the Corporation in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such director, officer, employee or agent is liable to the Corporation, unless a court having jurisdiction shall determine that, despite such adjudication, such person is fairly and reasonably entitled to indemnification; provided further, however, that, except as provided in Section 9.1(c) of this Article IX with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) initiated by such indemnitee was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Article IX shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of

its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Delaware Statute requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and

not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section or otherwise.

(c) If a claim under Section 9.1(b) of this Article IX is not paid in full by the Corporation with 60 days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be 20 days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of any undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met the applicable standard of conduct set forth in the Delaware Statute. Neither the failure of the Corporation (including the Board, independent legal counsel, or the stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware Statute, nor an actual determination by the Corporation (including the Board, independent legal counsel or the stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Section or otherwise shall be on the Corporation.

(d) The rights to indemnification and to the advancement of expenses conferred in this Article IX shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Charter, agreement, vote of stockholders or disinterested directors or otherwise.

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9.2 INSURANCE.

The Corporation may purchase and maintain insurance, at its expense, to protect itself and any person who is or was a director, officer, employee or agent of the Corporation or any person who is or was serving at the request of the Corporation as a director, officer, employer or agent of another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware Statute.

ARTICLE X

AMENDMENT

Any by-law (including these By-laws) may be adopted, amended or repealed by the vote of the holders of a majority of the shares then entitled to vote or by the stockholders' written consent pursuant to Section 2.10 of Article II, or by the vote of the Board or by the directors' written consent pursuant to Section 6 of Article III.

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1

EXECUTION COPY

EXHIBIT 4.1

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DJ ORTHOPEDICS, LLC

DJ ORTHOPEDICS CAPITAL CORPORATION

12_% Senior Subordinated Notes due 2009

INDENTURE

Dated as of June 30, 1999

THE BANK OF NEW YORK,

as Trustee

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==========

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CROSS-REFERENCE TABLE

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	(a)(2)	6.09
	(b)	2.04
318	(a)	13.01

N.A. means Not Applicable.

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Note: This Cross-Reference Table shall not, for any purpose, be deemed to be part of the Indenture.

INDENTURE dated as of June 30, 1999, among DJ Orthopedics, LLC, a Delaware limited liability company (the "Company"), DJ Orthopedics Capital Corporation, a Delaware corporation ("DJ Capital," and together with the Company, the "Issuers"), DonJoy, L.L.C., a Delaware limited liability company ("DonJoy"), and The Bank of New York, a New York banking corporation, as trustee (the "Trustee").

Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of (a) the Issuers' 12-_% Senior Subordinated Notes due 2009 issued on the date hereof (the "Initial Securities"), (b) if and when issued as provided in the Registration Agreement (as defined in Appendix A hereto (the "Appendix")), the Issuers' 12-_% Senior Subordinated Notes due 2009 issued in the Registered Exchange Offer (as defined in the Appendix) in exchange for any Initial Securities (the "Exchange Securities") and (c) if and when issued as provided in the Registration Agreement, the Private Exchange Securities (as defined in the Appendix and, together with the Initial Securities and any Exchange Securities issued hereunder, the "Securities") issued in the Private Exchange. Except as otherwise provided herein, the Securities will be limited to $100,000,000 in aggregate principal amount outstanding.

ARTICLE 1

Definitions and Incorporation by Reference

SECTION 1.01. Definitions.

"Additional Assets" means (a) any property or assets (other than Indebtedness and Equity Interests) to be used by the Company or a Restricted Subsidiary in a Permitted Business or any improvements to any property or assets that are used by the Company or a Restricted Subsidiary in a Permitted Business; (b) Equity Interests of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Equity Interests by the Company or another Restricted Subsidiary; or (c) Equity Interests constituting a minority interest in any Person that at such time is a Restricted Subsidiary; provided, however, that any such Restricted Subsidiary described in clauses (b) or (c) above is primarily engaged in a Permitted Business.

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with

respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. For purposes of Sections 4.06 and 4.07 only, "Affiliate" shall also mean any beneficial owner of Equity Interests representing 5% or more of the total voting power of the Voting Equity Interests (on a fully diluted basis) of DonJoy (or any other direct or indirect parent company of the Company) or the Company or of rights or warrants to purchase such Voting Equity Interests (whether or not currently exercisable) and any Person who would be an Affiliate of any such beneficial owner pursuant to the first sentence hereof.

"Asset Disposition" means any sale, lease (other than an operating lease entered into in the ordinary course of business), transfer or other disposition (or series of related sales, leases, transfers or dispositions) by the Company or any Restricted Subsidiary, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a "disposition"), of (a) any Equity Interests of a Restricted Subsidiary (other than directors' qualifying Equity Interests or Equity Interests required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary), (b) all or substantially all the assets of any division or line of business of the Company or any Restricted Subsidiary or (c) any other assets of the Company or any Restricted Subsidiary outside of the ordinary course of business of the Company or such Restricted Subsidiary (other than, in the case of (a), (b) and (c) above, (i) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Wholly Owned Subsidiary, (ii) for purposes of Section 4.06 only, the making of a Permitted Investment or a disposition that constitutes a Restricted Payment permitted by Section 4.04, (iii) a disposition of obsolete or worn out property or equipment or property or equipment that is no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries, and (iv) any other disposition of assets with a fair market value, as conclusively determined by senior management of the Company in good faith, of less than $500,000).

"Attributable Debt" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate borne by the Securities, compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

"Average Life" means, as of the date of determination, with respect to any Indebtedness or Preferred Equity Interests, the quotient obtained by dividing (a) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or scheduled redemption or similar payment with respect to such Preferred Equity Interests multiplied by the amount of such payment by (b) the sum of all such payments.

"Bank Indebtedness" means any and all amounts payable under or in respect of the Credit Agreement and any Refinancing Indebtedness with respect thereto,

as amended from time to time, including principal, premium (if any), interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company whether or not a claim

for post-filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, guarantees and all other amounts payable thereunder or in respect thereof.

"Business Day" means each day which is not a Legal Holiday.

"Capitalized Lease Obligations" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation determined in accordance with GAAP; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"Change of Control" means the occurrence of any of the following events:

(a) prior to the earlier to occur of (i) the first public offering of common Equity Interests of DonJoy or (ii) the first public offering of common Equity Interests of the Company, the Permitted Holders cease to be the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of a majority in the aggregate of the total voting power of the Voting Equity Interests of the Company or DonJoy, whether as a result of issuance of securities of DonJoy or the Company, any merger, consolidation, liquidation or dissolution of DonJoy or the Company, any direct or indirect transfer of securities by any Permitted Holder or otherwise (for purposes of this clause (a) and clause (b) below, the Permitted Holders shall be deemed to beneficially own any Voting Equity Interests of an entity (the "specified entity") held by any other entity (the "parent entity") so long as the Permitted Holders beneficially own (as so defined), directly or indirectly, in the aggregate a majority of the voting power of the Voting Equity Interests of the parent entity);

(b) (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act, including any group acting for the purpose of acquiring, holding or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act), other than one or more Permitted Holders, is or becomes the beneficial owner (as defined in clause (a) above, except that for purposes of this clause (b) a person (including a Permitted Holder) shall be deemed to have "beneficial ownership" of all Equity Interests that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time, upon the happening of any event or otherwise), directly or indirectly, of

more than 35% of the total voting power of the Voting Equity Interests of the Company or DonJoy and (ii) the Permitted Holders "beneficially own" (as defined in clause (a) above), directly or indirectly, in the aggregate a lesser percentage of the total voting power of the Voting Equity Interests of the Company or DonJoy than such other person and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Governing Board of the Company or DonJoy, as the case may be (for the purposes of this clause (b), such other person shall be deemed to beneficially own any Voting Equity Interests of a specified entity held by a parent entity, if such other person is the beneficial owner (as defined in this clause (b)), directly or indirectly, of more than 35% of the voting power of the Voting Equity Interests of such parent entity and the Permitted Holders "beneficially own" (as defined in clause (a) above), directly

or indirectly, in the aggregate a lesser percentage of the voting power of the Voting Equity Interests of such parent entity and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Governing Board of such parent entity);

(c) during any period of two consecutive years, individuals who at the beginning of such period constituted the Governing Board of the Company or DonJoy, as the case may be (together with any new persons (i) elected in accordance with the Members' Agreement so long as such agreement is in effect or (ii) whose election by such Governing Board of the Company or DonJoy, as the case may be, or whose nomination for election by the equity holders of the Company or DonJoy, as the case may be, was approved by a vote of at least a majority of the members of the Governing Board of the Company or DonJoy, as the case may be, then still in office who were either members of the Governing Board at the beginning of such period or who were selected in accordance with the Members' Agreement or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Governing Board of the Company or DonJoy, as the case may be, then in office;

(d) the adoption of a plan relating to the liquidation or dissolution of the Company, DJ Capital or DonJoy;

(e) the merger or consolidation of the Company or DonJoy with or into another Person or the merger of another Person with or into the Company or DonJoy, or the sale of all or substantially all the assets of the Company or DonJoy to another Person (other than a Person that is controlled by the Permitted Holders), and, in the case of any such merger or consolidation, the securities of the Company or DonJoy that are outstanding immediately prior to such transaction and which represent 100% of the aggregate voting power of the Voting Equity Interests of the Company or DonJoy are changed into or exchanged

for cash, securities or property, unless pursuant to such transaction such securities are changed into or exchanged for, in addition to any other consideration, securities of the surviving Person or transferee that represent immediately after such transaction, at least a majority of the aggregate voting power of the Voting Equity Interests of the surviving Person or transferee; or

(f) the Company ceases to own, of record or beneficially, all the Equity Interests of DJ Capital.

"Closing Date" means the date of this Indenture.

"Code" means the Internal Revenue Code of 1986, as amended.

"Consolidated Coverage Ratio" as of any date of determination means the ratio of (a) the aggregate amount of EBITDA for the period of the most recent four consecutive fiscal quarters for which financial statements are publicly available ending prior to the date of such determination to (b) Consolidated Interest Expense for such four fiscal quarters; provided, however, that (i) if the Company or any Restricted Subsidiary has Incurred any Indebtedness since the beginning of such period that remains outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness,

EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect on a pro forma basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period and the discharge of any other Indebtedness repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Indebtedness as if such discharge had occurred on the first day of such period, (ii) if the Company or any Restricted Subsidiary has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such period or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Consolidated Coverage Ratio, EBITDA and Consolidated Interest Expense for such period shall be calculated on a pro forma basis as if such discharge had occurred on the first day of such period and as if the Company or such Restricted Subsidiary has not earned the interest income actually earned during such period in respect of cash or Temporary Cash Investments used to repay, repurchase, defease or otherwise discharge such Indebtedness, (iii) if since the beginning of such period the Company or any Restricted Subsidiary shall have made any Asset Disposition, the EBITDA for such period shall be reduced by an amount equal to the EBITDA (if positive) directly attributable to the assets that are the subject of such Asset Disposition for such period or increased by an amount equal to the EBITDA (if negative) directly

attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Company or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Company and its continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Equity Interests of any Restricted Subsidiary are sold, the Consolidated Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Company and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale), (iv) if since the beginning of such period the Company or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person that becomes a Restricted Subsidiary or is merged with and into the Company) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period and (v) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (iii) or (iv) above if made by the Company or a Restricted Subsidiary during such period, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto as if such Asset Disposition, Investment or acquisition of assets occurred on the first day of such period. For purposes of this definition, whenever pro forma effect is to be given to an Investment or acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness Incurred in connection therewith, the pro forma calculations shall be determined in good faith by a responsible financial or accounting Officer of the Company. Any such pro forma calculations may include operating expense reductions for such period resulting from the acquisition which is being given pro forma effect that (a) would be permitted pursuant to Article XI of Regulation S-X under the Securities Act or (b) have been realized or for which the steps necessary for realization have been taken

or are reasonably expected to be taken within six months following any such acquisition, including, but not limited to, the execution or termination of any contracts, the termination of any personnel or the closing (or approval by the Governing Board of any closing) of any facility, as applicable, provided that, such adjustments are set forth in an Officers' Certificate signed by the Company's chief financial officer and another Officer which states (i) the amount of such adjustment or adjustments, (ii) that such adjustment or adjustments are based on the reasonable good faith beliefs of the officers executing such Officers' Certificate at the time of such execution and (iii) that any related Incurrence of Indebtedness is permitted

pursuant to this Indenture. In addition, to the extent not covered by the foregoing, if the Transactions have occurred in the four quarter period used to determine the Consolidated Coverage Ratio, then the Consolidated Coverage Ratio shall be determined giving pro forma effect on the basis given in the Offering Memorandum to the Transactions, with all calculations relating thereto to be made at the date of determination by the Company's chief financial officer, and set forth in an Officers' Certificate signed by the chief financial officer and another Officer and meeting the requirements for the Officers' Certificate described in the preceding sentence.

If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement or Currency Agreement applicable to such Indebtedness if such Interest Rate Agreement or Currency Agreement has a remaining term as at the date of determination in excess of 12 months).

"Consolidated Interest Expense" means, for any period, the total interest expense of the Company and its Consolidated Restricted Subsidiaries (excluding amortization and write-off of debt issuance costs), plus, to the extent Incurred by the Company and its Restricted Subsidiaries in such period but not included in such interest expense, (a) interest expense attributable to Capitalized Lease Obligations and the interest expense attributable to leases constituting part of a Sale/Leaseback Transaction, (b) amortization of debt discount, (c) capitalized interest, (d) noncash interest expense, (e) commissions, discounts and other fees and charges attributable to letters of credit and bankers' acceptance financing, (f) interest accruing on any Indebtedness of any other Person to the extent such Indebtedness is Guaranteed by the Company or any Restricted Subsidiary; (g) net costs associated with Hedging Obligations (including amortization of fees), (h) dividends and distributions in respect of all Disqualified Equity Interests of the Company and all Preferred Equity Interests of any of the Subsidiaries of the Company, to the extent held by Persons other than the Company or a Wholly Owned Subsidiary, (i) interest Incurred in connection with investments in discontinued operations, and (j) the cash contributions to any employee equity ownership or participation plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Company) in connection with Indebtedness Incurred by such plan or trust. Notwithstanding anything to the contrary contained herein, commissions, discounts, yield and other fees and charges Incurred in connection with any transaction pursuant to which the Company or any Subsidiary of the Company may sell, convey or otherwise transfer or grant a security interest in any accounts receivable or related assets shall be included in Consolidated Interest Expense.

"Consolidated Net Income" means, for any period, the net income (loss) of the Company and its Consolidated Subsidiaries for such period; provided, however, that there shall not be included in such Consolidated Net Income:

(a) any net income (loss) of any Person (other than the Company) if such Person is not a Restricted Subsidiary, except that (i) subject to the limitations contained in clauses (d), (e) and (f) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution made to a Restricted Subsidiary, to the limitations contained in clause (c) below) and (ii) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent such loss has been funded with cash from the Company or a Restricted Subsidiary;

(b) other than for purposes of clauses (iv) and (v) of the definition of Consolidated Coverage Ratio, any net income (or loss) of any Person acquired by the Company or a Subsidiary in a pooling of interests transaction for any period prior to the date of such acquisition;

(c) any net income (or loss) of any Restricted Subsidiary if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions or loans or intercompany advances by such Restricted Subsidiary, directly or indirectly, to the Company, except that (i) subject to the limitations contained in clauses (d), (e) and (f) below, the Company's equity in the net income of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed, loaned or advanced by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend, distribution, loan or advance (subject, in the case of a dividend distribution made to another Restricted Subsidiary, to the limitation contained in this clause) and (ii) the Company's equity in a net loss of any such Restricted Subsidiary for such period shall be included in determining such Consolidated Net Income;

(d) any gain (loss) realized upon the sale or other disposition of any asset of the Company or its Consolidated Subsidiaries (including pursuant to any Sale/Leaseback Transaction) that is not sold or otherwise disposed of in the ordinary course of business and any gain (loss) realized upon the sale or other disposition of any Equity Interests of any Person;

(e) any extraordinary gain or loss; and

(f) the cumulative effect of a change in accounting principles.

Notwithstanding the foregoing, for the purposes of Section 4.04 only, there shall be excluded from Consolidated Net Income any dividends, repayments of loans or advances or other transfers of assets from Unrestricted Subsidiaries to the Company or a Restricted Subsidiary to the extent such dividends, repayments or transfers increase the amount of Restricted Payments permitted under Section 4.04(a)(3)(E).

"Consolidation" means the consolidation of the amounts of each of the Restricted Subsidiaries with those of the Company in accordance with GAAP consistently applied; provided, however, that "Consolidation" shall not include consolidation of the accounts of any Unrestricted Subsidiary, but the interest of the Company or any Restricted Subsidiary in an Unrestricted Subsidiary shall be accounted for as an investment. The term "Consolidated" has a correlative meaning.

"Credit Agreement" means the credit agreement dated as of the Closing Date among the Company, DonJoy, the lenders named therein, First Union National Bank, as administrative agent and collateral agent, and The Chase Manhattan Bank, as syndication agent, in each case as amended, modified, supplemented, restated, renewed, refunded, replaced, restructured, repaid or refinanced from time to time (including any agreement extending the maturity thereof or increasing the amount of available borrowings thereunder or adding Restricted Subsidiaries of the Company as additional borrowers or guarantors thereunder) whether with the original agents and lenders or otherwise and whether provided under the original credit agreement or other credit agreements or otherwise.

"Currency Agreement" means with respect to any Person any foreign exchange contract, currency swap agreements or other similar agreement or arrangement to which such Person is a party or of which it is a beneficiary.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Designated Senior Indebtedness" of the Company means (a) the Bank Indebtedness and (b) any other Senior Indebtedness of the Company that, at the date of determination, has an aggregate principal amount outstanding of, or under which, at the date of determination, the holders thereof are committed to lend up to, at least $15.0 million and is specifically designated by the Company in the instrument evidencing or governing such Senior Indebtedness as "Designated Senior Indebtedness" for purposes

of this Indenture. "Designated Senior Indebtedness" of DJ Capital or a Note Guarantor has a correlative meaning.

"Disqualified Equity Interest" means, with respect to any Person, any Equity Interest of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable or exercisable) or upon the happening of any event (a) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise, (b) is convertible or exchangeable for Indebtedness or Disqualified Equity Interests (excluding Equity Interests convertible or exchangeable solely at the option of the Company or a Restricted Subsidiary, provided, that any such conversion or exchange shall be deemed an issuance of Indebtedness or an issuance of Disqualified Equity Interests, as applicable) or (c) is redeemable at the option of the holder thereof, in whole or in part, in the case of clauses (a), (b) and (c) on or prior to 91 days after the Stated Maturity of the Securities; provided, however, that only the portion of the Equity Interests which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed Disqualified Equity Interests; provided, further, any Equity Interests that would not constitute Disqualified Equity Interests but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Equity Interests upon the occurrence of an "asset sale" or "change of control" shall not constitute Disqualified Equity Interests if the "asset sale" or "change of control" provisions applicable to such Equity Interests provide that such Person may not repurchase or redeem such Equity Interests pursuant to such provisions unless such Person has first complied

with the provisions of Sections 4.06 and 4.08, as applicable; and provided, further that any class of Equity Interests of such Person that, by its terms, authorizes such Person to satisfy in full its obligations with respect to payment of dividends or upon maturity, redemption (pursuant to a sinking fund or otherwise) or repurchase thereof or other payment obligations or otherwise by delivery of Equity Interests that are not Disqualified Equity Interests, and that is not convertible, puttable or exchangeable for Disqualified Equity Interests or Indebtedness, shall not be deemed Disqualified Equity Interests so long as such Person satisfies its obligations with respect thereto solely by the delivery of Equity Interests that are not Disqualified Equity Interests.

"Domestic Subsidiary" means any Restricted Subsidiary of the Company other than a Foreign Subsidiary.

"EBITDA" for any period means the Consolidated Net Income for such period, plus, without duplication, the following to the extent deducted in calculating such Consolidated Net Income: (a) income tax expense of the Company and its Consolidated Restricted Subsidiaries, (b) Consolidated Interest Expense, (c) depreciation expense of the Company and its Consolidated Restricted Subsidiaries, (d) amortization expense of

the Company and its Consolidated Restricted Subsidiaries (excluding amortization expense attributable to a prepaid cash item that was paid in a prior period) and (e) other noncash charges of the Company and its Consolidated Restricted Subsidiaries (excluding any such noncash charge to the extent that it represents an accrual of or reserve for cash expenditures in any future period). Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortization and noncash charges of, a Restricted Subsidiary of the Company shall be added to Consolidated Net Income to compute EBITDA only to the extent (and in the same proportion) that the net income (loss) of such Restricted Subsidiary was included in calculating Consolidated Net Income and only if a corresponding amount would be permitted at the date of determination to be dividended, loaned or advanced to the Company by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to such Restricted Subsidiary or its equity holders.

"Equity Interest" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Equity Interests, but excluding any debt securities convertible into such equity.

"Equity Offering" means any public or private sale of common Equity Interests of the Company or DonJoy, as applicable, other than public offerings with respect to the Company's or DonJoy's common Equity Interests registered on Form S-8 or other issuances upon exercise of options by employees of the Company or any of its Restricted Subsidiaries.

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

"Existing Management Stockholders" means each of Leslie H. Cross, Cyril Talbot III and Michael McBrayer.

"Foreign Subsidiary" means any Restricted Subsidiary of the Company that is not organized under the laws of the United States of America or any State thereof or the District of Columbia.

"GAAP" means generally accepted accounting principles in the

United States of America as in effect as of the Closing Date, including those set forth in (a) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants, (b) statements and pronouncements of the Financial Accounting Standards Board, (c) such other statements by such other entities as are approved by a significant segment of the accounting profession and (d) the rules and

regulations of the SEC governing the inclusion of financial statements (including pro forma financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC. All ratios and computations based on GAAP contained in this Indenture shall be computed in conformity with GAAP.

"Governing Board" of the Company or any other Person means, (i) the managing member or members or any controlling committee of members of the Company or such Person, for so long as the Company or such Person is a limited liability company, (ii) the board of directors of the Company or such Person, if the Company or such Person is a corporation or (iii) any similar governing body.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, however, that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning. The term "Guarantor" shall mean any Person Guaranteeing any obligation.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

"Holder" means the Person in whose name a Security is registered on the Registrar's books.

"Income Tax Liabilities" means an amount determined by multiplying (a)(i) all taxable income and gains of the Company for such calendar year (the "Taxable Amount") minus (ii) an amount (not to exceed the Taxable Amount for such calendar year) equal to all losses of the Company in any of the three prior calendar years that have not been previously subtracted pursuant to this clause (ii) from the Taxable Amount for any prior year by (b) forty-four percent (44%).

"Incur" means issue, assume, Guarantee, incur or otherwise become liable for; provided, however, that any Indebtedness or Equity Interests of a Person existing at

the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Subsidiary at the time it becomes a Subsidiary. The term "Incurrence" when used as a noun shall have a correlative meaning.

"Indebtedness" means, with respect to any Person on any date of determination (without duplication),

(a) the principal of and premium (if any) in respect of indebtedness of such Person for borrowed money;

(b) the principal of and premium (if any) in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) all obligations of such Person in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto);

(d) all obligations of such Person to pay the deferred and unpaid purchase price of property or services (except Trade Payables and other accrued liabilities arising in the ordinary course of business which are not overdue), which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto or the completion of such services;

(e) all Capitalized Lease Obligations and all Attributable Debt of such Person;

(f) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Equity Interests or, with respect to any Subsidiary of such Person, any Preferred Equity Interests (but excluding, in each case, any accrued dividends);

(g) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided, however, that the amount of Indebtedness of such Person shall be the lesser of (i) the fair market value of such asset at such date of determination and (ii) the amount of such Indebtedness of such other Persons;

(h) to the extent not otherwise included in this definition, the net obligations under Hedging Obligations of such Person; and

(i) to the extent not otherwise included, the amount then outstanding (i.e., advanced, and received by, and available for use by, such Person) under any

receivables financing (as set forth in the books and records of such Person and confirmed by the agent, trustee or other representative of the institution or group providing such receivables financing); and

(j) all obligations of the type referred to in clauses (a) through (i) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Guarantee.

The amount of Indebtedness of any Person at any date shall be the outstanding

balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

"Indenture" means this Indenture as amended or supplemented from time to time.

"Interest Rate Agreement" means with respect to any Person any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or is a beneficiary.

"Investment" in any Person means any direct or indirect advance, loan (other than advances to customers in the ordinary course of business that are recorded as accounts receivable on the balance sheet of the lender) or other extension of credit (including by way of Guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Equity Interests, Indebtedness or other similar instruments issued by such Person. For purposes of the definition of "Unrestricted Subsidiary" and Section 4.04, (a) "Investment" shall include the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of any Subsidiary of the Company at the time that such Subsidiary is designated an Unrestricted Subsidiary; provided, however, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (i) the Company's "Investment" in such Subsidiary at the time of such redesignation less (ii) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time of such redesignation; and (b) any property transferred to or from an Unrestricted Subsidiary shall be valued at its fair market value at the time of such transfer, in each case

as determined in good faith by (i) the senior management of the Company if the amount thereof is less than $1.0 million and (ii) the Governing Board if in excess thereof.

"Issue Date" means the date on which the Initial Securities are originally issued.

"Issuers" means the parties named as such in this Indenture until a successor replaces either such party and, thereafter, means any remaining party named as such in this Indenture and any such successor and, for purposes of any provision contained herein and required by the TIA, each other obligor on the indenture securities.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"liquidated damages" means any liquidated damages payable under the Registration Agreement.

"Members' Agreement" means the Members' Agreement among DonJoy, Chase DJ Partners, LLC, Smith & Nephew, Inc., Leslie H. Cross, Cyril Talbot III and Michael R. McBrayer, as such agreement shall be in effect on the Closing

Date and any amendments, modifications, supplements or waivers thereto (collectively, "amendments"), other than any such amendment to the provisions thereof relating to the election or appointment of members of the Governing Board of the Company or DonJoy that are materially adverse to the Holders of the Securities.

"Net Available Cash" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of (a) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses incurred, and all Federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under GAAP, as a consequence of such Asset Disposition, (b) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon or other security agreement of any kind with respect to such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition, (c) all distributions and other payments required to be made

to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition and (d) appropriate amounts to be provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the property or other assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

"Net Cash Proceeds", with respect to any issuance or sale of Equity Interests, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees and expenses actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Note Guarantee" means each Guarantee of the Guaranteed Obligations by a Note Guarantor pursuant to the terms of this Indenture.

"Note Guarantor" means DonJoy and any other Person that has issued a Note Guarantee.

"Officer" of either Issuer, as the case may be, means the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the President, any Vice President, the Treasurer or the Secretary of such Issuer.

"Officers' Certificate" of either Issuer, as the case may be, means a certificate signed by two Officers of such Issuer.

"Offering Memorandum" means the Offering Memorandum dated June 17, 1999, relating to the Initial Securities.

"Opinion of Counsel" means a written opinion from legal counsel who is acceptable to the Trustee.

"Permitted Business" means the design, manufacture and/or marketing of orthopedic products, devices, accessories or services, other medical products, devices, accessories or services or any businesses that are

reasonably related, ancillary or complimentary thereto.

"Permitted Holders" means each of (i) Chase Capital Partners and its Affiliates, (ii) Chase DJ Partners, LLC and its Affiliates, (iii) First Union Capital Corporation and its Affiliates, (iv) Fairfield Chase Medical Partners, LLC and its Affiliates, (v) Charles T. Orsatti and his Related Parties, (vi) the Existing Management Stockholders and their Related Parties and (vii) any Person acting in the capacity of an

underwriter in connection with a public or private offering of the Company's or DonJoy's Equity Interests.

"Permitted Investment" means an Investment by the Company or any Restricted Subsidiary in (a) the Company, a Restricted Subsidiary or a Person that will, upon the making of such Investment, become a Restricted Subsidiary; provided, however, that the primary business of such Restricted Subsidiary is a Permitted Business; (b) another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary (other than DJ Capital); provided, however, that such Person's primary business is a Permitted Business; (c) Temporary Cash Investments; (d) receivables owing to the Company or any Restricted Subsidiary (other than DJ Capital) if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances; (e) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business; (f) loans or advances to officers, directors, consultants or employees made in the ordinary course of business and not exceeding $1.5 million in the aggregate outstanding at any one time; (g) Equity Interests, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of a debtor; (h) any Person to the extent such Investment represents the non-cash portion of the consideration received for an Asset Disposition that was made pursuant to and in compliance with Section 4.06; (i) Hedging Obligations entered into in the ordinary course of business; (j) endorsements of negotiable instruments and documents in the ordinary course of business; (k) assets or Equity Interests of a Person acquired by the Company or a Restricted Subsidiary to the extent the consideration for such acquisition consists of Equity Interests (other than Disqualified Equity Interests) of the Company or DonJoy; (l) Investments in existence on the Closing Date; (m) Investments of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary of the Company or at the time such Person merges or consolidates with the Company or any of its Restricted Subsidiaries, in either case in compliance with this Indenture, provided that such Investments were not made by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary of the Company or such merger or consolidation; and (n) additional Investments having an aggregate fair market value (as determined in good faith by (i) senior management of the Company if such fair market value is less than $1.0 million or (ii) by the Governing Board of the Company if in excess thereof), taken together with all other Investments made pursuant to this clause (n) that are at the time outstanding, not to exceed the greater of 10% of Total Assets or

$10.0 million at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value).

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Preferred Equity Interests", as applied to the Equity Interests of any Person, means Equity Interests of any class or classes (however designated) that are preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over Equity Interests of any other class of such Person.

"principal" of a Security means the principal of the Security plus the premium, if any, payable on the Security which is due or overdue or is to become due at the relevant time.

"Recapitalization" shall have the meaning set forth in the Offering Memorandum.

"Recapitalization Agreement" means the recapitalization agreement dated as of April 29, 1999 among Chase DJ Partners, LLC, Smith & Nephew, Inc. and DonJoy as such agreement is in effect on the Closing Date.

"Refinance" means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue other Indebtedness in exchange or replacement for, such Indebtedness. "Refinanced" and "Refinancing" shall have correlative meanings.

"Refinancing Indebtedness" means Indebtedness that is Incurred to refund, refinance, replace, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness of the Company or any Restricted Subsidiary existing on the Closing Date or Incurred in compliance with this Indenture (including Indebtedness of the Company or a Restricted Subsidiary that Refinances Refinancing Indebtedness); provided, however, that (a) the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced, (b) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being refinanced, (c) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) (whether in

U.S. dollars or a foreign currency) that is equal to or less than the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) (in U.S. dollars or such foreign currency, as applicable) then outstanding (plus, without duplication, accrued interest, fees and expenses, including premium and defeasance costs) of the Indebtedness being Refinanced and (d) if the Indebtedness being refinanced is subordinated in right of payment to the Securities or a Note Guarantee of a Note Guarantor, such Refinancing Indebtedness is subordinated in right of payment to the Securities or the Note Guarantee at least to the same extent as the Indebtedness being Refinanced; provided further, however, that Refinancing Indebtedness shall not include (i) Indebtedness of a Restricted Subsidiary that is not a Note Guarantor that Refinances Indebtedness of the Company or (ii) Indebtedness of

the Company or a Restricted Subsidiary that Refinances Indebtedness of an Unrestricted Subsidiary.

"Related Parties" means with respect to a Person that is a natural person (a)(1) any spouse, parent or lineal descendant of such Person or (2) the estate of such Person during any period in which such estate holds Equity Interests of DonJoy or the Company for the benefit of any person referred to in clause (a)(1) and (b) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially owning an interest of more than 50% of which consist of such Person and/or such other Persons referred to in the immediately preceding clause (a).

"Representative" means the trustee, agent or representative (if any) for an issue of Senior Indebtedness.

"Restricted Investment" means any Investment other than a Permitted Investment.

"Restricted Subsidiary" means DJ Capital and any other Subsidiary of the Company other than an Unrestricted Subsidiary.

"Sale/Leaseback Transaction" means an arrangement relating to property now owned or hereafter acquired by the Company or a Restricted Subsidiary whereby the Company or a Restricted Subsidiary transfers such property to a Person and the Company or such Restricted Subsidiary leases it from such Person, other than leases between the Company and a Wholly Owned Subsidiary or between Wholly Owned Subsidiaries.

"SEC" means the Securities and Exchange Commission.

"Secured Indebtedness" means any Indebtedness of the Company or DJ Capital secured by a Lien. "Secured Indebtedness" of a Note Guarantor has a correlative meaning.

"Securities" means the Securities issued under this Indenture.

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

"Senior Indebtedness" of the Company, DJ Capital or any Note Guarantor, as the case may be, means the principal of, premium (if any) and accrued and unpaid interest on (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization of the Company, DJ Capital or any Note Guarantor, as applicable, regardless of whether or not a claim for post-filing interest is allowed in such proceedings) and fees and all other amounts owing in respect of, Bank Indebtedness and all other Indebtedness of the Company, DJ Capital or any Note Guarantor, as applicable, whether outstanding on the Closing Date or thereafter Incurred, unless in the instrument creating or evidencing the same or pursuant to which the same is outstanding it is provided that such obligations are subordinated in right of payment to the Securities or such Note Guarantor's Note Guarantee; provided, however, that Senior Indebtedness shall not include (a) any obligation of the Company to any Subsidiary of the Company or of any Note Guarantor or DJ Capital to the Company or any other Subsidiary of the Company, (b) any liability for Federal, state, local or other taxes owed or owing by the Company, DJ Capital or any Note Guarantor, (c) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including Guarantees thereof or instruments evidencing such liabilities), (d) any Indebtedness or obligation of the Company, DJ Capital or any Note Guarantor (and any accrued and unpaid interest in respect thereof) that by its terms is subordinate or junior in right of payment to any other Indebtedness or obligation of the

Company, DJ Capital or such Note Guarantor, including any Senior Subordinated Indebtedness and any Subordinated Obligations, (e) any obligations with respect to any Equity Interest or (f) any Indebtedness Incurred in violation of this Indenture.

"Senior Subordinated Indebtedness" of the Company means the Securities and any other Indebtedness of the Company that specifically provides that such Indebtedness is to rank pari passu with the Securities in right of payment and is not subordinated by its terms in right of payment to any Indebtedness or other obligation of the Company which is not Senior Indebtedness. "Senior Subordinated Indebtedness" of DJ Capital or a Note Guarantor has a correlative meaning.

"Significant Subsidiary" means any Restricted Subsidiary that would be a "Significant Subsidiary" of the Company within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but

excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency beyond the control of the issuer unless such contingency has occurred).

"Subordinated Obligation" means any Indebtedness of the Company (whether outstanding on the Closing Date or thereafter Incurred) that is subordinate or junior in right of payment to the Securities pursuant to a written agreement. "Subordinated Obligation" of DJ Capital or a Note Guarantor has a correlative meaning.

"Subsidiary" of any Person means any corporation, association, partnership, limited liability company or other business entity of which more than 50% of the total voting power of Equity Interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, representatives, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (a) such Person, (b) such Person and one or more Subsidiaries of such Person or (c) one or more Subsidiaries of such Person.

"Tax Distribution" means any distribution by the Company to its members which (i) with respect to quarterly estimated tax payments due in each calendar year shall be equal to twenty-five percent (25%) of the Income Tax Liabilities for such calendar year as estimated in writing by the chief financial officer of the Company and (ii) with respect to tax payments to be made with income tax returns filed for a full calendar year or with respect to adjustments to such returns imposed by the Internal Revenue Service or other taxing authority, shall be equal to the Income Tax Liabilities for each calendar year minus the aggregate amount distributed for such calendar year as provided in clause (i) above. In the event the amount determined under clause (ii) is a negative amount, the amount of any Tax Distributions in the succeeding calendar year (or, if necessary, any subsequent calendar years) shall be reduced by such negative amount.

"Temporary Cash Investments" means any of the following: (a) any investment in direct obligations of the United States of America or any agency or instrumentality thereof or obligations Guaranteed or insured by the United States of America or any agency or instrumentality thereof, (b) investments in checking accounts, savings accounts, time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company that

is organized under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America having capital, surplus and undivided profits aggregating in excess of $250,000,000 (or the foreign currency equivalent thereof) and whose long-term debt is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act), (c) repurchase obligations with a term of not more than 30 days for underlying

securities of the types described in clause (a) above entered into with a bank meeting the qualifications described in clause (b) above, (d) investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's Investors Service, Inc. or "A-1" (or higher) according to Standard and Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. ("S&P"), (e) investments in securities with maturities of six months or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or "A" by Moody's Investors Service, Inc., and (f) investments in money market funds that invest substantially all of their assets in securities of the types described in clauses (a) through (e) above.

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa- 77bbbb) as in effect on the Closing Date.

"Total Assets" means the total consolidated assets of the Company and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Company.

"Trade Payables" means, with respect to any Person, any accounts payable or any indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person arising in the ordinary course of business in connection with the acquisition of goods or services.

"Transactions" shall have the meaning set forth in the Offering Memorandum.

"Trustee" means the party named as such in this Indenture until a successor replaces it and, thereafter, means the successor.

"Trust Officer" means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

"Uniform Commercial Code" means the New York Uniform Commercial Code as in effect from time to time.

"Unrestricted Subsidiary" means (a) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Governing Board in the manner provided below and (b) any Subsidiary of an Unrestricted Subsidiary. The Governing Board may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary of the Company), other than DJ Capital, to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Equity Interests or Indebtedness of, or owns or holds any Lien on any property of, the Company or any other Subsidiary of the Company that is not a Subsidiary of the Subsidiary to be so designated; provided, however, that either (i) the Subsidiary to be so designated has total Consolidated assets of $1,000 or less or (ii) if such Subsidiary has Consolidated assets greater than $1,000, then such designation would be permitted under Section 4.04. The Governing Board may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided, however, that immediately after giving effect to such designation (a) the Company could Incur $1.00 of additional Indebtedness under Section 4.03(a), and (b) no Default shall have occurred and be continuing. Any such designation of a Subsidiary as a Restricted Subsidiary or Unrestricted Subsidiary by the Governing Board shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Governing Board giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing provisions.

"U.S. Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable or redeemable at the issuer's option.

"Voting Equity Interests" of a Person means the Equity Interests in a corporation or other Person with voting power under ordinary circumstances (without regard to the occurrence of any contingency) entitling the holders thereof to elect or appoint the board of managers, board of directors, executive committee, management committee or other governing body of such corporation or Person.

"Wholly Owned Subsidiary" means a Restricted Subsidiary of the Company all the Equity Interests of which (other than directors' qualifying Equity Interests) are owned by the Company or another Wholly Owned Subsidiary.

SECTION 1.02. Other Definitions.

<TABLE>
<CAPTION>

Term	Defined in Section
<S>	<C>
"Affiliate Transaction"	4.07(a)
"Appendix"	Preamble
"Bankruptcy Law"	6.01
"beneficially own"	1.01
"Blockage Notice"	10.03
"covenant defeasance option"	8.01(b)
"Custodian"	6.01
"Definitive Securities"	Appendix A
"Event of Default"	6.01
"Exchange Securities"	Preamble
"Global Securities"	Appendix A
"Guarantee Blockage Notice"	12.03
"Guaranteed Obligation"	11.01
"Guarantee Payment Blockage Period"	12.03

</TABLE>

SECTION 1.03. Incorporation by Reference of Trust Indenture Act. This Indenture is subject to the mandatory provisions of the TIA, which are incorporated by reference in and made a part of this Indenture. The following TIA terms have the following meanings:

"Commission" means the SEC.

"indenture securities" means the Securities and the Note Guarantees.

"indenture security holder" means a Holder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

"obligor" on the indenture securities means the Company, DJ Capital, the Note Guarantors and any other obligor on the indenture securities.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meanings assigned to them by such definitions.

SECTION 1.04. Rules of Construction. Unless the context otherwise requires:

(a) a term has the meaning assigned to it;

(b) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(c) "or" is not exclusive;

(d) "including" means including without limitation;

(e) words in the singular include the plural and words in the plural include the singular;

(f) unsecured Indebtedness shall not be deemed to be subordinate or junior to Secured Indebtedness merely by virtue of its nature as

unsecured Indebtedness;

(g) the principal amount of any noninterest bearing or other discount security at any date shall be the principal amount thereof that would be shown on

a balance sheet of the issuer dated such date prepared in accordance with GAAP; and

(h) the principal amount of any Preferred Equity Interest shall be (i) the maximum liquidation value of such Preferred Equity Interest or (ii) the maximum mandatory redemption or mandatory repurchase (not including, in either case, any redemption or repurchase premium) price with respect to such Preferred Equity Interests, whichever is greater.

ARTICLE 2

The Securities

SECTION 2.01. Form and Dating. Provisions relating to the Initial Securities, the Private Exchange Securities and the Exchange Securities are set forth in the Appendix, which is hereby incorporated in and expressly made a part of this Indenture. The (a) Initial Securities and the Trustee's certificate of authentication and (b) Private Exchange Securities and the Trustee's certificate of authentication shall each be substantially in the form of Exhibit A hereto, which is hereby incorporated in and expressly made a part of this Indenture. The Exchange Securities and the Trustee's certificate of authentication shall each be substantially in the form of Exhibit B hereto, which is hereby incorporated in and expressly made a part of this Indenture. The Securities may have notations, legends or endorsements required by law, stock exchange rule, agreements to which the Issuers or any Note Guarantor is subject, if any, or usage (provided that any such notation, legend or endorsement is in a form acceptable to the Issuers). Each Security shall be dated the date of its authentication. The Securities shall be issuable only in registered form without interest coupons and only in denominations of $1,000 and integral multiples thereof.

SECTION 2.02. Execution and Authentication. One Officer shall sign the Securities for the Issuers by manual or facsimile signature.

If an Officer whose signature is on a Security no longer holds that office at the time the Trustee authenticates the Security, the Security shall be valid nevertheless.

A Security shall not be valid until an authorized signatory of the Trustee manually signs the certificate of authentication on the Security. The signature shall be conclusive evidence that the Security has been authenticated under this Indenture.

The Trustee shall authenticate and make available for delivery Securities as set forth in the Appendix.

The Trustee may appoint an authenticating agent reasonably acceptable to the Issuers to authenticate the Securities. Any such appointment shall be evidenced by an instrument signed by a Trust Officer, a copy of which

shall be furnished to the Issuers. Unless limited by the terms of such appointment, an authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as any Registrar, Paying Agent or agent for service of notices and demands.

SECTION 2.03. Registrar and Paying Agent. (a) The Issuers shall maintain an office or agency where Securities may be presented for registration of transfer or for exchange (the "Registrar") and an office or agency where Securities may be presented for payment (the "Paying Agent"). The Registrar shall keep a register of the Securities and of their transfer and exchange. The Issuers may have one or more co-registrars and one or more additional paying agents. The term "Paying Agent" includes any additional paying agent, and the term "Registrar" includes any co-registrars. The Issuers initially appoint the Trustee as (i) Registrar and Paying Agent in connection with the Securities and (ii) the Securities Custodian with respect to the Global Securities.

(b) The Issuers shall enter into an appropriate agency agreement with any Registrar or Paying Agent not a party to this Indenture, which shall incorporate the terms of the TIA. The agreement shall implement the provisions of this Indenture that relate to such agent. The Issuers shall notify the Trustee of the name and address of any such agent. If the Issuers fail to maintain a Registrar or Paying Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.07. Either of the Issuers or any of their domestically organized Wholly Owned Subsidiaries may act as Paying Agent or Registrar.

(c) The Issuers may remove any Registrar or Paying Agent upon written notice to such Registrar or Paying Agent and to the Trustee; provided, however, that no such removal shall become effective until (i) acceptance of an appointment by a successor as evidenced by an appropriate agreement entered into by the Issuers and such successor Registrar or Paying Agent, as the case may be, and delivered to the Trustee or (ii) notification to the Trustee that the Trustee shall serve as Registrar or Paying Agent until the appointment of a successor in accordance with clause (i) above. The Registrar or Paying Agent may resign at any time upon written notice to the Issuers and the Trustee.

SECTION 2.04. Paying Agent To Hold Money in Trust. Prior to each due date of the principal of and interest on any Security, the Issuers shall deposit with the Paying Agent (or if either of the Issuers or a Subsidiary is acting as Paying Agent,

segregate and hold in trust for the benefit of the Persons entitled thereto) a sum sufficient to pay such principal and interest when so becoming due. The Issuers shall require each Paying Agent (other than the Trustee) to agree in writing that the Paying Agent shall hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal of or interest on the Securities, shall notify the Trustee of any default by the Issuers in making any such payment. If either of the Issuers or a Subsidiary of the Issuers acts as Paying Agent, it shall segregate the money held by it as Paying Agent and hold it as a separate trust fund. The Issuers at any time may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed by the Paying Agent. Upon complying with this Section, the Paying Agent shall have no further liability for the money delivered to the Trustee.

SECTION 2.05. Holder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders. If the Trustee is not the Registrar, the Issuers shall furnish, or cause the Registrar to furnish, to the Trustee,

in writing at least five Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders.

SECTION 2.06. Transfer and Exchange. The Securities shall be issued in registered form and shall be transferable only upon the surrender of a Security for registration of transfer and in compliance with the Appendix. When a Security is presented to the Registrar with a request to register a transfer, the Registrar shall register the transfer as requested if its requirements therefor are met. When Securities are presented to the Registrar with a request to exchange them for an equal principal amount of Securities of other denominations, the Registrar shall make the exchange as requested if the same requirements are met. To permit registration of transfers and exchanges, the Issuers shall execute and the Trustee shall authenticate Securities at the Registrar's request. The Issuers may require payment of a sum sufficient to pay all taxes, assessments or other governmental charges in connection with any transfer or exchange pursuant to this Section. The Issuers shall not be required to make and the Registrar need not register transfers or exchanges of Securities selected for redemption (except, in the case of Securities to be redeemed in part, the portion thereof not to be redeemed) or any Securities for a period of 15 days before a selection of Securities to be redeemed.

Prior to the due presentation for registration of transfer of any Security, the Issuers, the Note Guarantors, the Trustee, the Paying Agent, and the Registrar may deem and treat the Person in whose name a Security is registered as the absolute owner of such Security for the purpose of receiving payment of principal of and (subject to paragraph 2 of the Securities) interest, if any, on such Security and for all other purposes whatsoever,

whether or not such Security is overdue, and none of the Issuers, any Note Guarantor, the Trustee, the Paying Agent, or the Registrar shall be affected by notice to the contrary.

Any Holder of a Global Security shall, by acceptance of such Global Security, agree that transfers of beneficial interest in such Global Security may be effected only through a book-entry system maintained by (a) the Holder of such Global Security (or its agent) or (b) any Holder of a beneficial interest in such Global Security, and that ownership of a beneficial interest in such Global Security shall be required to be reflected in a book entry.

All Securities issued upon any transfer or exchange pursuant to the terms of this Indenture will evidence the same debt and will be entitled to the same benefits under this Indenture as the Securities surrendered upon such transfer or exchange.

SECTION 2.07. Replacement Securities. If a mutilated Security is surrendered to the Registrar or if the Holder of a Security claims that the Security has been lost, destroyed or wrongfully taken, the Issuers shall issue and the Trustee shall authenticate a replacement Security if the requirements of Section 8-405 of the Uniform Commercial Code are met, such that the Holder (a) satisfies the Issuers and the Trustee within a reasonable time after he has notice of such loss, destruction or wrongful taking and the Registrar does not register a transfer prior to receiving such notification, (b) makes such request to the Issuers and the Trustee prior to the Security being acquired by a protected purchaser as defined in Section 8-303 of the Uniform Commercial Code (a "protected purchaser") and (c) satisfies any other reasonable requirements of the Trustee. If required by the Trustee or the Issuers, such Holder shall furnish an indemnity bond sufficient in the judgment of the Trustee and the Issuers to protect the Issuers, the Trustee, the Paying Agent and the Registrar from any loss that any of them may suffer if a Security is replaced. The Issuers and the Trustee may charge the Holder for their expenses

in replacing a Security. In the event any such mutilated, lost, destroyed or wrongfully taken Security has become or is about to become due and payable, the Issuers in their discretion may pay such Security instead of issuing a new Security in replacement thereof.

Every replacement Security is an additional obligation of the Issuers.

The provisions of this Section 2.07 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, lost, destroyed or wrongfully taken Securities.

SECTION 2.08. Outstanding Securities. Securities outstanding at any time are all Securities authenticated by the Trustee except for those canceled by it, those delivered to it for cancelation and those described in this Section as not outstanding.

Subject to Section 13.06, a Security does not cease to be outstanding because the Issuers or an Affiliate of the Issuers holds the Security.

If a Security is replaced pursuant to Section 2.07, it ceases to be outstanding unless the Trustee and the Issuers receive proof satisfactory to them that the replaced Security is held by a protected purchaser.

If the Paying Agent segregates and holds in trust, in accordance with this Indenture, on a redemption date or maturity date money sufficient to pay all principal and interest and liquidated damages payable on that date with respect to the Securities (or portions thereof) to be redeemed or maturing, as the case may be, and the Paying Agent is not prohibited from paying such money to the Holders on that date pursuant to the terms of this Indenture, then on and after that date such Securities (or portions thereof) cease to be outstanding and interest on them ceases to accrue.

SECTION 2.09. Temporary Securities. In the event that Definitive Securities are to be issued under the terms of this Indenture, until such Definitive Securities are ready for delivery, the Issuers may prepare and the Trustee shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of Definitive Securities but may have variations that the Issuers consider appropriate for temporary Securities. Without unreasonable delay, the Issuers shall prepare and the Trustee shall authenticate Definitive Securities and deliver them in exchange for temporary Securities upon surrender of such temporary Securities at the office or agency of the Issuers, without charge to the Holder.

SECTION 2.10. Cancelation. The Issuers at any time may deliver Securities to the Trustee for cancelation. The Registrar and the Paying Agent shall forward to the Trustee any Securities surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel all Securities surrendered for registration of transfer, exchange, payment or cancelation and shall dispose of canceled Securities in accordance with its customary procedures or deliver canceled Securities to the Issuers pursuant to written direction by an Officer. The Issuers may not issue new Securities to replace Securities it has redeemed, paid or delivered to the Trustee for cancelation. The Trustee shall not authenticate Securities in place of canceled Securities other than pursuant to the terms of this Indenture.

SECTION 2.11. Defaulted Interest. If the Issuers default in a payment of interest on the Securities, the Issuers shall pay the defaulted interest (plus interest on such defaulted interest to the extent lawful) in any lawful manner. The Issuers may pay the defaulted interest to the Persons who are Holders on a subsequent special record date. The Issuers shall fix or cause to be fixed any such special record date and payment date to the reasonable

satisfaction of the Trustee and shall promptly mail or cause to be mailed to

each Holder a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

SECTION 2.12. CUSIP and "ISIN" Numbers. The Issuers in issuing the Securities may use "CUSIP" and "ISIN" numbers (if then generally in use) and, if so, the Trustee shall use "CUSIP" and "ISIN" numbers in notices of redemption as a convenience to Holders; provided, however, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

ARTICLE 3

Redemption

SECTION 3.01. Notices to Trustee. If the Issuers elect to redeem Securities pursuant to paragraph 5 of the Securities, it shall notify the Trustee in writing of the redemption date and the principal amount of Securities to be redeemed.

The Issuers shall give each notice to the Trustee provided for in this Section at least 60 days before the redemption date unless the Trustee consents to a shorter period. Such notice shall be accompanied by an Officers' Certificate and an Opinion of Counsel from the Issuers to the effect that such redemption will comply with the conditions herein. Any such notice may be canceled at any time prior to notice of such redemption being mailed to any Holder and shall thereby be void and of no effect.

SECTION 3.02. Selection of Securities To Be Redeemed. If fewer than all the Securities are to be redeemed, the Trustee shall select the Securities to be redeemed pro rata or by lot or by a method that the Trustee in its sole discretion shall deem to be fair and appropriate. The Trustee shall make the selection from outstanding Securities not previously called for redemption. The Trustee may select for redemption portions of the principal of Securities that have denominations larger than $1,000. Securities and portions of them the Trustee selects shall be in amounts of $1,000 or a whole multiple of $1,000. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. The Trustee shall notify the Issuers promptly of the Securities or portions of Securities to be redeemed.

SECTION 3.03. Notice of Redemption. (a) At least 30 days but not more than 60 days before a date for redemption of Securities, the Issuers shall mail a notice of

redemption by first-class mail to each Holder of Securities to be redeemed at such Holder's registered address.

The notice shall identify the Securities to be redeemed and shall state:

(i) the redemption date;

(ii) the redemption price and the amount of accrued interest and liquidated damages (if any) to the redemption date;

(iii) the name and address of the Paying Agent;

(iv) that Securities called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(v) if fewer than all the outstanding Securities are to be redeemed, the certificate numbers and principal amounts of the particular Securities to be redeemed;

(vi) that, unless the Issuers default in making such redemption payment or the Paying Agent is prohibited from making such payment pursuant to the terms of this Indenture, interest on Securities (or portion thereof) called for redemption ceases to accrue on and after the redemption date;

(vii) the CUSIP or ISIN number, if any, printed on the Securities being redeemed; and

(viii) that no representation is made as to the correctness or accuracy of the CUSIP or ISIN number, if any, listed in such notice or printed on the Securities.

(b) At the Issuers' request, the Trustee shall give the notice of redemption in the Issuers' name and at the Issuers' expense. In such event, the Issuers shall provide the Trustee with the information required by this Section.

SECTION 3.04. Effect of Notice of Redemption. Once notice of redemption is mailed, Securities called for redemption become due and payable on the redemption date and at the redemption price stated in the notice. Upon surrender to the Paying Agent, such Securities shall be paid at the redemption price stated in the notice, plus accrued interest and liquidated damages, if any, to the redemption date; provided, however, that if the redemption date is after a regular record date and on or prior to the interest payment date, the accrued interest and liquidated damages, if any, shall be payable to the Holder of the redeemed Securities registered on the relevant record date.

Failure to give notice or any defect in the notice to any Holder shall not affect the validity of the notice to any other Holder.

SECTION 3.05. Deposit of Redemption Price. Prior to 10:00 a.m. on the redemption date, the Issuers shall deposit with the Paying Agent (or, if either of the Issuers or a Subsidiary is the Paying Agent, shall segregate and hold in trust) money sufficient to pay the redemption price of and accrued interest and liquidated damages, if any, on all Securities to be redeemed on that date other than Securities or portions of Securities called for redemption that have been delivered by the Issuers to the Trustee for cancelation. On and after the redemption date, interest and liquidated damages (if any) will cease to accrue on Securities or portions thereof called for redemption so long as the Issuers have deposited with the Paying Agent funds sufficient to pay the principal of, plus accrued and unpaid interest and liquidated damages (if any) on, the Securities to be redeemed, unless the Paying Agent is prohibited from making such payment pursuant to the terms of this Indenture.

SECTION 3.06. Securities Redeemed in Part. Upon surrender of a Security that is redeemed in part, the Issuers shall execute and the Trustee

shall authenticate for the Holder (at the Issuers' expense) a new Security equal in principal amount to the unredeemed portion of the Security surrendered.

ARTICLE 4

Covenants

SECTION 4.01. Payment of Securities. The Issuers shall promptly pay the principal of, interest on and liquidated damages (if any) on the Securities on the dates and in the manner provided in the Securities and in this Indenture. Principal and interest shall be considered paid on the date due if on such date the Trustee or the Paying Agent holds in accordance with this Indenture money sufficient to pay all principal and interest then due and the Trustee or the Paying Agent, as the case may be, is not prohibited from paying such money to the Holders on that date pursuant to the terms of this Indenture.

The Issuers shall pay interest on overdue principal at the rate specified therefor in the Securities, and it shall pay interest on overdue installments of interest at the same rate to the extent lawful.

SECTION 4.02. SEC Reports. Notwithstanding that the Issuers may not be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company shall file with the SEC (if permitted by SEC practice and applicable law and regulations) and provide the Trustee and Holders and prospective Holders (upon request)

within 15 days after it files them with the SEC (or if not permitted, within 15 days after it would have otherwise been required to file them with the SEC), copies of the Company's or DonJoy's annual report and the information, documents and other reports that are specified in Sections 13 and 15(d) of the Exchange Act. In addition, following an Equity Offering, the Issuers shall furnish to the Trustee and the Holders, promptly upon their becoming available, copies of the annual report to equity holders and any other information provided by the Company or DonJoy to its public equity holders generally. The Issuers also shall comply with the other provisions of Section 314(a) of the TIA.

SECTION 4.03. Limitation on Indebtedness. (a) The Company shall not, and shall not permit any Restricted Subsidiary to, Incur, directly or indirectly, any Indebtedness; provided, however, that the Company or any Restricted Subsidiary that is a Note Guarantor may Incur Indebtedness if on the date of such Incurrence and after giving effect thereto the Consolidated Coverage Ratio would be greater than 2.0 to 1.0 if such Indebtedness is Incurred on or prior to December 31, 2000 and 2.25 to 1.0 if such Indebtedness is Incurred thereafter. Notwithstanding the foregoing, the Company will not permit DJ Capital to Incur any Indebtedness other than the Securities and its guarantee in respect of the Credit Agreement.

(b) Notwithstanding Section 4.03(a), the Company and its Restricted Subsidiaries (other than DJ Capital) may Incur the following Indebtedness:

(i) Indebtedness Incurred pursuant to the Credit Agreement in an aggregate principal amount not to exceed $40.5 million at any one time outstanding less the aggregate amount of all repayments of principal of such Indebtedness pursuant to Section 4.06;

(ii) Indebtedness of the Company owed to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owed to and held by the Company or any Restricted Subsidiary; provided,

however, that (1) any subsequent issuance or transfer of any Equity Interests or any other event that results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of any such Indebtedness (except to the Company or a Restricted Subsidiary) shall be deemed, in each case, to constitute the Incurrence of such Indebtedness by the issuer thereof, (2) if the Company is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations with respect to the Securities, (3) if a Restricted Subsidiary is the obligor on such Indebtedness, such Indebtedness is made pursuant to an intercompany note and (4) if a Note Guarantor is the obligor on such Indebtedness, such Indebtedness is subordinated in right of payment to the Note Guarantee of such Note Guarantor;

(iii) Indebtedness (1) represented by the Securities and the Note Guarantees, (2) outstanding on the Closing Date (other than the Indebtedness described in clauses (i) and (ii) above), (3) consisting of Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (iii) (including Indebtedness Refinancing Refinancing Indebtedness) or Section 4.03(a) and (4) consisting of Guarantees of any Indebtedness permitted under clauses (i) and (ii) of this paragraph (b);

(iv) (1) Indebtedness of a Restricted Subsidiary Incurred and outstanding on or prior to the date on which such Restricted Subsidiary was acquired by the Company (other than Indebtedness Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Subsidiary of or was otherwise acquired by the Company) and (2) Refinancing Indebtedness Incurred by a Restricted Subsidiary in respect of Indebtedness Incurred by such Restricted Subsidiary pursuant to this clause (iv);

(v) Indebtedness of the Company or a Restricted Subsidiary (1) in respect of performance bonds, bankers' acceptances, letters of credit and surety or appeal bonds provided by the Company and the Restricted Subsidiaries in the ordinary course of their business, and (2) under Interest Rate Agreements and Currency Agreements entered into for bona fide hedging purposes of the Company or any Restricted Subsidiary in the ordinary course of business; provided, however, that such Interest Rate Agreements or Currency Agreements do not increase the principal amount of Indebtedness of the Company and its Restricted Subsidiaries outstanding at any time other than as a result of fluctuations in interest rates or foreign currency exchange rates or by reason of fees, indemnities and compensation payable thereunder;

(vi) Indebtedness (including Capitalized Lease Obligations) Incurred by the Company or any of its Restricted Subsidiaries to finance the purchase, lease or improvement of property (real or personal), equipment or other assets (in each case whether through the direct purchase of assets or the Equity Interests of any Person owning such assets) in an aggregate principal amount which, when aggregated with the principal amount of all other Indebtedness then outstanding and Incurred pursuant to this clause (vi) and all Refinancing Indebtedness Incurred to refund, refinance or replace any Indebtedness Incurred pursuant to this clause (vi), does not exceed $10.0 million;

(vii) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (except

in the case of daylight

overdrafts) drawn against insufficient funds in the ordinary course, provided that such Indebtedness is extinguished within five Business Days of Incurrence;

(viii) Indebtedness of the Company and its Restricted Subsidiaries arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case incurred or assumed in connection with the disposition of any business, assets or a Subsidiary of the Company in accordance with the terms of this Indenture, other than Guarantees by the Company or any Restricted Subsidiary of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or a Subsidiary of the Company for the purpose of financing such acquisition; provided, however, that (1) such Indebtedness is not reflected on the consolidated balance sheet of the Company and (2) the maximum aggregate liability in respect of all such Indebtedness shall not exceed the gross proceeds, including the fair market value as determined in good faith by a majority of the Governing Board of noncash proceeds (the fair market value of such noncash proceeds being measured at the time it is received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with such disposition; or

(ix) Indebtedness of the Company and its Restricted Subsidiaries (in addition to Indebtedness permitted to be Incurred pursuant to Section 4.03(a) or any other clause of this paragraph (b)) in an aggregate principal amount on the date of Incurrence that, when added to all other Indebtedness Incurred pursuant to this clause (ix) and then outstanding, shall not exceed $15.0 million.

(c) Notwithstanding the foregoing, the Company shall not Incur any Indebtedness pursuant to Section 4.03(b) above if the proceeds thereof are used, directly or indirectly, to repay, prepay, redeem, defease, retire, refund or refinance any Subordinated Obligations unless such Indebtedness shall be subordinated to the Securities to at least the same extent as such Subordinated Obligations. The Company shall not Incur any Indebtedness pursuant to Section 4.03(a) or 4.03(b) if such Indebtedness is subordinate or junior in right of payment to any Senior Indebtedness unless such Indebtedness is Senior Subordinated Indebtedness or is expressly subordinated in right of payment to Senior Subordinated Indebtedness. In addition, the Company shall not Incur any Secured Indebtedness which is not Senior Indebtedness unless contemporaneously therewith effective provision is made to secure the Securities equally and ratably with (or on a senior basis to, in the case of Indebtedness subordinated in right of payment to the Securities) such Secured Indebtedness for so long as such Secured Indebtedness is secured by a Lien, except for Senior Subordinated Indebtedness and Subordinated Obligations secured by Liens on the assets of any entity existing at the time such entity is acquired by, and becomes a Restricted Subsidiary of, the Company, whether by merger,

consolidation, purchase of assets or otherwise, provided that such Liens (x) are not created, incurred or assumed in connection with, or in contemplation of such entity being acquired by the Company and (y) do not extend to any other

assets of the Company or any of its Subsidiaries. A Note Guarantor shall not Incur any Indebtedness if such Indebtedness is by its terms expressly subordinate or junior in right of payment to any Senior Indebtedness of such Note Guarantor unless such Indebtedness is Senior Subordinated Indebtedness of such Note Guarantor or is expressly subordinated in right of payment to Senior Subordinated Indebtedness of such Note Guarantor. In addition, a Note Guarantor shall not Incur any Secured Indebtedness that is not Senior Indebtedness of such Note Guarantor unless contemporaneously therewith effective provision is made to secure the Note Guarantee of such Note Guarantor equally and ratably with (or on a senior basis to, in the case of Indebtedness subordinated in right of payment to such Note Guarantee) such Secured Indebtedness for as long as such Secured Indebtedness is secured by a Lien, except for Senior Subordinated Indebtedness and Subordinated Obligations of such Note Guarantor secured by Liens on the assets of any entity existing at the time such entity is acquired by such Note Guarantor, whether by merger, consolidation, purchase of assets or otherwise, provided that such Liens (x) are not created, incurred or assumed in connection with or in contemplation of such assets being acquired by such Note Guarantor and (y) do not extend to any other assets of the Company or any of its Subsidiaries.

(d) Notwithstanding any other provision of this Section 4.03, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may Incur pursuant to this Section shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rates of currencies. For purposes of determining the outstanding principal amount of any particular Indebtedness Incurred pursuant to this Section 4.03, (i) Indebtedness Incurred pursuant to the Credit Agreement prior to or on the Closing Date shall be treated as Incurred pursuant to Section 4.03(b)(i), (ii) Guarantees or obligations in respect of letters of credit relating to Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included, (iii) the principal amount of any Disqualified Equity Interests or Preferred Equity Interests shall be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the maximum liquidation preference, (iv) the principal amount of Indebtedness, Disqualified Equity Interests or Preferred Equity Interests issued at a price less than the principal amount thereof, the maximum fixed redemption or repurchase price thereof or liquidation preference thereof, as applicable, will be equal to the amount of the liability or obligation in respect thereof determined in accordance with GAAP, (v) if such Indebtedness is denominated in a currency other than U.S. dollars, the U.S. dollar equivalent principal amount thereof shall be calculated based on the relevant currency exchange rates in effect on the date such Indebtedness was Incurred, (vi) the accrual of interest, accrual of dividends, the accretion of accreted value, the payment of

interest in the form of additional Indebtedness and the payment of dividends or distributions in the form of additional Equity Interests shall not be deemed an incurrence of Indebtedness for purposes of this Section, (vii) Indebtedness permitted by this Section 4.03 need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this Section permitting such Indebtedness, and (viii) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in this Section, the Company, in its sole discretion, shall classify such Indebtedness and only be required to include the amount of such Indebtedness in one of such clauses.

SECTION 4.04. Limitation on Restricted Payments. (a) The Company shall not, and shall not permit any Restricted Subsidiary, directly or indirectly, to (i) declare or pay any dividend or make any distribution of any kind on or in respect of its Equity Interests (including any payment in connection with any merger or consolidation involving the Company) or similar

payment to the direct or indirect holders (in their capacities as such) of its Equity Interests except dividends or distributions payable solely in its Equity Interests (other than Disqualified Equity Interests) and except dividends or distributions payable to the Company or another Restricted Subsidiary (and, if such Restricted Subsidiary has equity holders other than the Company or other Restricted Subsidiaries, to its other equity holders on a pro rata basis), (ii) purchase, redeem, retire or otherwise acquire for value any Equity Interests of DonJoy (or any other direct or indirect parent company of the Company), the Company or any Restricted Subsidiary held by Persons other than the Company or another Restricted Subsidiary, (iii) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment any Subordinated Obligations (other than (A) the purchase, repurchase or other acquisition of Subordinated Obligations purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of acquisition and (B) Indebtedness described in Section 4.03(b)(ii)) or (iv) make any Investment (other than a Permitted Investment) in any Person (any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Investment being herein referred to as a "Restricted Payment") if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(1) a Default shall have occurred and be continuing (or would result therefrom);

(2) the Company could not Incur at least $1.00 of additional Indebtedness under Section 4.03(a); or

(3) the aggregate amount of such Restricted Payment and all other Restricted Payments (the amount so expended, if other than in cash, to be determined in good faith by the Governing Board, whose determination shall be conclusive and evidenced by a resolution of the Governing Board) declared or made subsequent to the Closing Date would exceed the sum of, without duplication:

(A) 50% of the Consolidated Net Income accrued during the period (treated as one accounting period) from the beginning of the fiscal quarter immediately following the fiscal quarter during which the Closing Date occurs to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which consolidated financial statements of the Company are publicly available (or, in case such Consolidated Net Income shall be a deficit, minus 100% of such deficit);

(B) the aggregate Net Cash Proceeds received by the Company (x) as capital contributions to the Company after the Closing Date or (y) from the issue or sale of its Equity Interests (other than Disqualified Equity Interests) subsequent to the Closing Date (other than a capital contribution from or an issuance or sale to (x) a Subsidiary of the Company or (y) an employee equity ownership or participation plan or other trust established by the Company or any of its Subsidiaries);

(C) the amount by which Indebtedness of the Company or its Restricted Subsidiaries is reduced on the Company's balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Closing Date of any Indebtedness of the Company or its Restricted Subsidiaries issued after the Closing Date which is convertible or exchangeable for Equity Interests (other than Disqualified

Equity Interests) of DonJoy or the Company (less the amount of any cash or the fair market value of other property distributed by the Company or any Restricted Subsidiary upon such conversion or exchange);

(D) 100% of the aggregate amount received by the Company or any Restricted Subsidiary in cash from the sale or other disposition (other than to (x) the Company or a Subsidiary of the Company or (y) an employee equity ownership or participation plan or other trust established by the Company or any of its Subsidiaries) of Restricted Investments made by the Company or any Restricted Subsidiary after the Closing Date and from repurchases and redemptions of such Restricted Investments from the Company or any Restricted Subsidiary by any Person (other than (x) the Company or any of its Subsidiaries or (y) an employee equity ownership

or participation plan or other trust established by the Company or any of its Restricted Subsidiaries) and from repayments of loans or advances which constituted Restricted Investments; provided, however, that the amount included in this clause (D) with respect to any particular Restricted Investment shall not exceed the amount of cash expended by the Company or any Restricted Subsidiary in connection with making such Restricted Investment; and

(E) the amount equal to the net reduction in Investments in Unrestricted Subsidiaries resulting from (x) payments of dividends, repayments of the principal of loans or advances or other transfers of assets to the Company or any Restricted Subsidiary from Unrestricted Subsidiaries or (y) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued in each case as provided in the definition of "Investment") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount was included in the calculation of the amount of Restricted Payments.

(b) The provisions of Section 4.04(a) shall not prohibit:

(i) any purchase, repurchase, retirement or other acquisition or retirement for value of, or other distribution in respect of, Equity Interests of the Company made by exchange for, or out of the proceeds of the substantially concurrent sale of, Equity Interests of the Company or capital contributions to the Company after the Closing Date (other than Disqualified Equity Interests and other than Equity Interests issued or sold to, or capital contributions from, a Subsidiary of the Company or an employee equity ownership or participation plan or other trust established by the Company or any of its Subsidiaries); provided, however, that (1) such Restricted Payment shall be excluded in the calculation of the amount of Restricted Payments and (2) the Net Cash Proceeds from such sale or capital contribution applied in the manner set forth in this clause (i) shall be excluded from the calculation of amounts under Section 4.04(a)(3)(B);

(ii) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations of the Company or a Restricted Subsidiary made by exchange for, or out of the proceeds of the substantially concurrent sale of, (x) Equity Interests of DonJoy or the Company (other than Disqualified Equity Interests) or

(y) Subordinated Obligations of the Company or a Restricted Subsidiary that are permitted to be Incurred pursuant to Section 4.03; provided, however, that such purchase repurchase, redemption, defeasance or

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other acquisition or retirement for value shall be excluded in the calculation of the amount of Restricted Payments;

(iii) any purchase or redemption of Subordinated Obligations from Net Available Cash to the extent permitted by Section 4.06; provided, however, that such purchase or redemption shall be excluded in the calculation of the amount of Restricted Payments;

(iv) dividends or other distributions paid to holders of, or redemptions from holders of, Equity Interests within 60 days after the date of declaration thereof, or the giving of formal notice of redemption, if at such date of declaration such dividends or other distributions or redemptions would have complied with Section 4.04(a); provided, however, that such dividend, distribution or redemption shall be included in the calculation of the amount of Restricted Payments;

(v) payment of dividends, other distributions or other amounts by the Company for the purposes set forth in clauses (1) and (2) below; provided, however, that such dividend, distribution or amount set forth in clause (1) shall be excluded and in clause (2) shall be included in the calculation of the amount of Restricted Payments for the purposes of Section 4.04(a):

(1) to DonJoy in amounts equal to the amounts required for DonJoy to pay franchise taxes and other fees required to maintain its existence and provide for all other operating costs of DonJoy, including, without limitation, in respect of director fees and expenses, administrative, legal and accounting services provided by third parties and other costs and expenses of being a public company, including, all costs and expenses with respect to filings with the SEC, of up to $500,000 per fiscal year; and

(2) to DonJoy in amounts equal to amounts expended by DonJoy to repurchase Equity Interests of DonJoy owned by officers, directors, consultants and employees or former officers, directors, consultants or employees of DonJoy, the Company or its Subsidiaries or their assigns, estates and heirs; provided, however, that the aggregate amount of dividends, distributions or other amounts to DonJoy pursuant to this clause (2) shall not, in the aggregate, exceed $3.0 million per fiscal year of the Company, up to a maximum aggregate amount of $7.0 million during the term of this Indenture;

(vi) for so long as the Company is treated as a pass-through entity for United States Federal income tax purposes, Tax Distributions; provided, however,

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that such Tax Distributions shall be excluded in the calculation of the amount of Restricted Payments;

(vii) in the event DonJoy is not treated as a pass-through entity for United States Federal income tax purposes, dividends or

distributions to DonJoy in amounts equal to amounts required for DonJoy to pay Federal, state and local income taxes to the extent such income taxes are attributable to the income of the Company and its Restricted Subsidiaries (and, to the extent of amounts actually received from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries); provided, however, that such distributions shall be excluded in the calculation of the amount of Restricted Payments;

(viii) the payment of dividends or distributions to DonJoy to fund the payment by DonJoy of dividends on DonJoy's common Equity Interests following the first public offering of common Equity Interests of DonJoy after the Closing Date, of up to 6% per annum of the net proceeds contributed to the Company by DonJoy from such public offering; provided, however, that such dividends or distributions will be included in the calculation of the amount of Restricted Payments; or

(ix) dividends or distributions to DonJoy in an amount equal to the purchase price adjustment, if any, which DonJoy is required to pay to Smith & Nephew, Inc. in connection with the Recapitalization pursuant to Article III of the Recapitalization Agreement as such agreement is in effect on the date hereof; provided, however, that such distributions shall be excluded in the calculation of the amount of Restricted Payments.

SECTION 4.05. Limitation on Restrictions on Distributions from Restricted Subsidiaries. The Company shall not, and shall not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to (a) pay dividends or make any other distributions on its Equity Interests or pay any Indebtedness or other obligations owed to the Company or any of its Restricted Subsidiaries, (b) make any loans or advances to the Company or any of its Restricted Subsidiaries or (c) transfer any of its property or assets to the Company or any of its Restricted Subsidiaries, except:

(i) any encumbrance or restriction pursuant to applicable law or any applicable rule, regulation or order, or an agreement in effect at or entered into on the Closing Date;

(ii) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement relating to any Equity Interests or Indebtedness of such Restricted Subsidiary, in each case Incurred by such Restricted Subsidiary prior to the date on which such Restricted Subsidiary was acquired by the Company (other than Equity Interests or Indebtedness Incurred as consideration in, in contemplation of, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was otherwise acquired by the Company) and outstanding on such date;

(iii) any encumbrance or restriction pursuant to an agreement effecting a Refinancing of Indebtedness Incurred pursuant to an agreement referred to in clause (i) or (ii) of this Section 4.05 or this clause (iii) or contained in any amendment to an agreement referred to in clause (i) or (ii) of this Section 4.05 or this clause (iii); provided, however, that the encumbrances and restrictions contained in any such Refinancing agreement or amendment are no more restrictive, taken as a whole, than the encumbrances and restrictions contained in such predecessor agreements;

(iv) in the case of clause (c), any encumbrance or restriction (1) that restricts in a customary manner the assignment of any lease, license or similar contract or the subletting, assignment or transfer

of any property or asset that is subject to a lease, license or similar contract, (2) that is or was created by virtue of any transfer of, agreement to transfer or option or right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by this Indenture, (3) contained in security agreements securing Indebtedness of a Restricted Subsidiary to the extent such encumbrance or restriction restricts the transfer of the property subject to such security agreements, or (4) encumbrances or restrictions relating to Indebtedness permitted to be Incurred pursuant to Section 4.03(b)(vi) for property acquired in the ordinary course of business that only imposes encumbrances or restrictions on the property so acquired;

(v) with respect to a Restricted Subsidiary, any restriction imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Equity Interests or assets of such Restricted Subsidiary pending the closing of such sale or disposition;

(vi) customary provisions in joint venture agreements and other similar agreements entered into in the ordinary course of business; and

(vii) net worth provisions in leases and other agreements entered into by the Company or any Restricted Subsidiary in the ordinary course of business.

SECTION 4.06. Limitation on Sales of Assets and Subsidiary Equity Interests. (a) The Company shall not, and shall not permit any Restricted Subsidiary to, make any Asset Disposition unless (i) the Company or such Restricted Subsidiary receives consideration (including by way of relief from, or by any other Person assuming sole responsibility for, any liabilities, contingent or otherwise) at the time of such Asset Disposition at least equal to the fair market value of the Equity Interests and assets subject to such Asset Disposition, (ii) at least 80% of the consideration thereof received by the Company or such Restricted Subsidiary is in the form of (A) cash or Temporary Cash Investments, (B) properties and assets to be owned by the Company or any Restricted Subsidiary and used in a Permitted Business or (C) Voting Equity Interests in one or more Persons engaged in a Permitted Business that are or thereby become Restricted Subsidiaries of the Company, and (iii) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Company (or such Restricted Subsidiary, as the case may be) (1) first, (i) to the extent the Company elects (or is required by the terms of any Indebtedness), to prepay, repay, redeem or purchase Senior Indebtedness of the Company or Indebtedness (other than any Disqualified Equity Interests) of a Restricted Subsidiary (in each case other than Indebtedness owed to the Company or an Affiliate of the Company and other than Preferred Equity Interests) or (ii) to the extent the Company or such Restricted Subsidiary elects, to reinvest in Additional Assets (including by means of an Investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Company or another Restricted Subsidiary or the application by the Company of the Net Available Cash received by a Restricted Subsidiary of the Company), in each case within 320 days from the later of such Asset Disposition or the receipt of such Net Available Cash, provided that pending the final application of any such Net Available Cash, the Company and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by this Indenture; (2) second, within 365 days from the later of such Asset Disposition or the receipt of such Net Available Cash, to the extent of the balance of such Net Available Cash after such application in accordance with clause (1), to make an Offer (as defined below) to purchase Securities pursuant to and subject to the conditions set forth in Section 4.06(b); provided, however, that if the Company elects (or is required by the terms of any other Senior Subordinated Indebtedness), such

Offer may be made ratably to purchase the Securities and other Senior Subordinated Indebtedness of the Company; and (3) third, to the extent of the balance of such Net Available Cash after application in accordance with clauses (1) (other than the proviso thereof) and (2), for any general corporate purpose not restricted by the terms of this Indenture; provided, however that in connection with any prepayment, repayment or purchase of Indebtedness pursuant to clause (1) or (2) above, the Company or such Restricted Subsidiary shall retire such Indebtedness and shall cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased. Notwithstanding the foregoing provisions of this

Section 4.06, the Company and the Restricted Subsidiaries shall not be required to apply any Net Available Cash in accordance with this Section 4.06(a) except to the extent that the aggregate Net Available Cash from all Asset Dispositions that is not applied in accordance with this Section 4.06(a) exceeds $5.0 million.

For the purposes of this Section 4.06, the following are deemed to be cash: (A) the assumption of any liabilities of the Company (other than Disqualified Equity Interests of the Company) or any Restricted Subsidiary and the release of the Company or such Restricted Subsidiary from all liability on such liabilities in connection with such Asset Disposition and (B) securities received by the Company or any Restricted Subsidiary from the transferee that are promptly converted by the Company or such Restricted Subsidiary into cash.

(b) In the event of an Asset Disposition that requires the purchase of Securities (and other Senior Subordinated Indebtedness) pursuant to Section 4.06(a)(iii)(2), the Issuers shall be required to purchase Securities (and other Senior Subordinated Indebtedness) tendered pursuant to an offer by the Issuers for the Securities (and other Senior Subordinated Indebtedness) (the "Offer") at a purchase price of 100% of their principal amount plus accrued and unpaid interest and liquidated damages thereon, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) in accordance with the procedures (including prorating in the event of oversubscription) set forth in Section 4.06(c). If the aggregate purchase price of Securities (and other Senior Subordinated Indebtedness) tendered pursuant to the Offer is less than the Net Available Cash allotted to the purchase of the Securities (and other Senior Subordinated Indebtedness), the Company shall apply the remaining Net Available Cash for any general corporate purpose not restricted by the terms of this Indenture. The Issuers shall not be required to make an Offer for Securities (and other Senior Subordinated Indebtedness) pursuant to this Section 4.06 if the Net Available Cash available therefor (after application of the proceeds as provided in clause (1) of Section 4.06(a)(iii)) is less than $5.0 million for any particular Asset Disposition (which lesser amount shall be carried forward for purposes of determining whether an Offer is required with respect to the Net Available Cash from any subsequent Asset Disposition). Upon completion of the Offer, the amount of Net Available Cash shall be reduced to zero.

(c) (i) Promptly, and in any event within 10 days after the Issuers become obligated to make an Offer, the Issuers shall deliver to the Trustee and send, by first-class mail to each Holder, a written notice stating that the Holder may elect to have his Securities purchased by the Issuers either in whole or in part (subject to prorating as hereinafter described in the event the Offer is oversubscribed) in integral multiples of $1,000 of principal amount, at the applicable purchase price. The notice shall specify a purchase date not less than 30 days nor more than 60 days after the date of such notice

(the "Purchase Date") and shall contain such information concerning the business of the Company which the Issuers in good faith believe will enable such Holders to make an informed decision (which at a minimum shall include (1) the most recently filed Annual Report on Form 10-K (including audited consolidated financial statements) of the Company or DonJoy, the most recent subsequently filed Quarterly Report on Form 10-Q and any Current Report on Form 8-K of the Company or DonJoy filed subsequent to such Quarterly Report, other than Current Reports describing Asset Dispositions otherwise described in the offering materials (or corresponding successor reports), (2) a description of material developments in the Company's business subsequent to the date of the latest of such reports, and (3) if material, appropriate pro forma financial information) and all instructions and materials necessary to tender Securities pursuant to the Offer, together with the address referred to in clause (c)(iii).

(ii) Not later than the date upon which written notice of an Offer is delivered to the Trustee as provided above, the Issuers shall deliver to the Trustee an Officers' Certificate as to (1) the amount of the Offer (the "Offer Amount"), (2) the allocation of the Net Available Cash from the Asset Dispositions pursuant to which such Offer is being made and (3) the compliance of such allocation with the provisions of Section 4.06(a). On the Business Day immediately preceding the Purchase Date, the Issuers shall irrevocably deposit with the Trustee or with a paying agent (or, if the Issuers are acting as their own paying agent, segregate and hold in trust) an amount equal to the Offer Amount or, if less, the purchase price of Securities (and other Senior Subordinated Indebtedness) tendered and accepted for payment in the Offer. Upon the expiration of the period for which the Offer remains open (the "Offer Period"), the Issuers shall deliver to the Trustee for cancelation the Securities or portions thereof that have been properly tendered to and are to be accepted by the Issuers. The Trustee (or the Paying Agent, if not the Trustee) shall, on the date of purchase, mail or deliver payment to each tendering Holder in the amount of the purchase price.

(iii) Holders electing to have a Security purchased shall be required to surrender the Security, with an appropriate form duly completed, to the Issuers at the address specified in the notice at least three Business Days prior to the Purchase Date. Holders shall be entitled to withdraw their election if the Trustee or the Issuers receive not later than one Business Day prior to the Purchase Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Security which was delivered by the Holder for purchase and a statement that such Holder is withdrawing his election to have such Security purchased. If at the expiration of the Offer Period the aggregate principal amount of Securities and any other Senior Subordinated Indebtedness included in the Offer surrendered by holders thereof exceeds the Offer Amount, the Issuers shall select the Securities and other Senior Subordinated Indebtedness to be purchased on a pro rata basis (with such adjustments as may be deemed appropriate by the Issuers so that only Securities and other Senior Subordinated

Indebtedness in denominations of $1,000, or integral multiples thereof, shall be purchased). Holders whose Securities are purchased only in part will be issued new Securities equal in principal amount to the unpurchased portion of the Securities surrendered.

(iv) At the time the Issuers deliver Securities to the Trustee which are to be accepted for purchase, the Issuers shall also deliver an Officers' Certificate stating that such Securities are to be accepted by the

Issuers pursuant to and in accordance with the terms of this Section. A Security shall be deemed to have been accepted for purchase at the time the Trustee, directly or through an agent, mails or delivers payment therefor to the surrendering Holder.

(v) The Issuers shall comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Securities pursuant to this Section. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Section, the Issuers shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section by virtue thereof.

SECTION 4.07. Limitation on Transactions with Affiliates. (a) The Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including, the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company (an "Affiliate Transaction") unless such Affiliate Transaction is on terms (i) that are no less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained at the time of such transaction in arm's-length dealings with a Person who is not such an Affiliate, (ii) that, in the event that such Affiliate Transaction involves an aggregate amount in excess of $1.0 million, (1) are set forth in writing and (2) except as provided in Section 4.07(a)(iii) below, have been approved by a majority of the members of the Governing Board having no personal stake in such Affiliate Transaction (if any such members exist), and (iii) that, in the event (A) such Affiliate Transaction involves an amount in excess of $5.0 million, or (B) if there are no members of the Governing Board having no personal stake in such Affiliate Transaction and such Affiliate Transaction involves an aggregate amount in excess of $1.0 million, have been determined by a nationally recognized appraisal, accounting or investment banking firm to be fair, from a financial standpoint, to the Company and its Restricted Subsidiaries.

(b) The provisions of Section 4.07(a) shall not prohibit (i) any Restricted Payment permitted to be paid pursuant to Section 4.04, (ii) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the

funding of, employment arrangements, options to purchase Equity Interests of DonJoy or the Company and equity ownership or participation plans approved by the Governing Board, (iii) the grant of options (and the exercise thereof) to purchase Equity Interests of DonJoy or the Company or similar rights to employees and directors of DonJoy or the Company pursuant to plans approved by the Governing Board, (iv) loans or advances to officers, directors or employees in the ordinary course of business, but in any event not to exceed $1.5 million in the aggregate outstanding at any one time, (v) the payment of reasonable fees to directors of DonJoy or the Company and its Subsidiaries who are not employees of DonJoy or the Company or its Subsidiaries and other reasonable fees, compensation, benefits and indemnities paid or entered into by the Company or its Restricted Subsidiaries in the ordinary course of business to or with the officers, directors or employees of the Company and its Restricted Subsidiaries, (vi) any transaction between the Company and a Restricted Subsidiary or between Restricted Subsidiaries, (vii) the provision by Persons who may be deemed Affiliates or stockholders of the Company (other than Chase Capital Partners and Persons controlled by Chase Capital Partners) of investment banking, commercial banking, trust, lending or financing, investment, underwriting, placement agent, financial advisory or similar services to the Company or its Subsidiaries, (viii) sales of Equity Interests to Permitted Holders approved by a majority of the members of the Governing Board who do not have a material direct or indirect financial interest in or with respect to the transaction being considered, (ix) (A) the existence or

performance by the Company or any Restricted Subsidiary under any agreement as in effect as of the Closing Date or any amendment thereto or replacement agreement therefor or any transaction contemplated thereby (including pursuant to any amendment thereto or replacement agreement therefor) so long as such amendment or replacement is not more disadvantageous to the Holders of the Securities in any material respect than the original agreement as in effect on the Closing Date, and (B) the execution, delivery and performance of the contemplated agreement among the Company, DonJoy and Charles T. Orsatti described in the Offering Memorandum under the heading "Management--Compensation of Board of Managers"; provided that the amount payable to Mr. Orsatti pursuant to such agreement shall not exceed $250,000 per year, (x) any tax sharing agreement or payments pursuant thereto among the Company and its Subsidiaries and any other Person with which the Company or its Subsidiaries is required or permitted to file a consolidated tax return or with which the Company or any of its Restricted Subsidiaries is or could be part of a consolidated group for tax purposes, which payments are not in excess of the tax liabilities attributable solely to the Company and its Restricted Subsidiaries (as a consolidated group), or (ix) any contribution to the capital of the Company by DonJoy or any purchase of Equity Interests of the Company by DonJoy.

SECTION 4.08. Change of Control. (a) Upon the occurrence of a Change of Control, each Holder shall have the right to require that the Issuers repurchase all or any part of such Holder's Securities at a purchase price in cash equal to 101% of the

principal amount thereof plus accrued and unpaid interest and liquidated damages, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), in accordance with the terms contemplated in Section 4.08(b); provided, however, that notwithstanding the occurrence of a Change of Control, the Issuers shall not be obligated to purchase the Securities pursuant to this Section 4.08 in the event that it has exercised its right to redeem all the Securities under paragraph 5 of the Securities. In the event that at the time of such Change of Control the terms of any agreement governing Indebtedness of the Company or its Subsidiaries restrict or prohibit the repurchase of Securities pursuant to this Section 4.08, then prior to the mailing of the notice to Holders provided for in Section 4.08(b) below but in any event within 30 days following any Change of Control, the Company shall (i) repay in full all such Indebtedness or offer to repay in full all such Indebtedness and repay the Indebtedness of each lender who has accepted such offer or (ii) obtain the requisite consent of the lenders under such agreements to permit the repurchase of the Securities as provided for in Section 4.08(b).

(b) Within 30 days following any Change of Control (except as provided in the proviso to the first sentence of Section 4.08(a)), the Issuers shall mail a notice to each Holder with a copy to the Trustee (the "Change of Control Offer") stating:

(i) that a Change of Control has occurred and that such Holder has the right to require the Issuers to purchase all or a portion (in integral multiples of $1,000) of such Holder's Securities at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest and liquidated damages, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date);

(ii) the circumstances and relevant facts and financial information regarding such Change of Control;

(iii) the repurchase date (which shall be no earlier than 30

days nor later than 60 days from the date such notice is mailed); and

(iv) the instructions determined by the Issuers, consistent with this Section, that a Holder must follow in order to have its Securities purchased.

(c) Holders electing to have a Security purchased shall be required to surrender the Security, with an appropriate form duly completed, to the Issuers at the address specified in the notice at least three Business Days prior to the purchase date. Holders shall be entitled to withdraw their election if the Trustee or the Issuers receive not later than one Business Day prior to the purchase date a telegram, telex, facsimile

transmission or letter setting forth the name of the Holder, the principal amount of the Security which was delivered for purchase by the Holder and a statement that such Holder is withdrawing his election to have such Security purchased. Holders whose Securities are purchased only in part will be issued new Securities equal in principal amount to the unpurchased portion of the Securities surrendered.

(d) On the purchase date, all Securities purchased by the Issuers under this Section shall be delivered to the Trustee for cancelation, and the Issuers shall pay the purchase price plus accrued and unpaid interest, if any, to the Holders entitled thereto.

(e) Notwithstanding the foregoing provisions of this Section, the Issuers will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in Section 4.08(b) applicable to a Change of Control Offer made by the Issuers and purchases all Securities validly tendered and not withdrawn under such Change of Control Offer.

(f) At the time the Issuers deliver Securities to the Trustee which are to be accepted for purchase, the Issuers shall also deliver an Officers' Certificate stating that such Securities are to be accepted by the Issuers pursuant to and in accordance with the terms of this Section 4.08. A Security shall be deemed to have been accepted for purchase at the time the Trustee, directly or through an agent, mails or delivers payment therefor to the surrendering Holder.

(g) Prior to any Change of Control Offer, the Issuers shall deliver to the Trustee an Officers' Certificate stating that all conditions precedent contained herein to the right of the Issuers to make such offer have been complied with.

(h) The Issuers shall comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Securities pursuant to this Section. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Section, the Issuers shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section by virtue thereof.

SECTION 4.09. Compliance Certificate. The Issuers shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company an Officers' Certificate (which certificate may be the same certificate required by Section 314(a)(4) of the TIA) stating that in the course of the performance by the signers of their duties as Officers of the Issuers they would normally have knowledge of any Default and whether or not the signers know of any Default that occurred during such period. If they do, the

certificate shall describe the Default, its status and what action the Issuers are taking or propose to take with respect thereto. The Issuers also shall comply with Section 314(a)(4) of the TIA.

SECTION 4.10. Further Instruments and Acts. Upon request of the Trustee, the Issuers shall execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

SECTION 4.11. Future Note Guarantors. The Company shall cause each Domestic Subsidiary to become a Note Guarantor, and, if applicable, execute and deliver to the Trustee a supplemental indenture substantially in the form of Exhibit C pursuant to which such Domestic Subsidiary will Guarantee payment of the Securities.

SECTION 4.12. Limitation on Lines of Business. The Company shall not, and shall not permit any Restricted Subsidiary to, engage in any business, other than a Permitted Business.

SECTION 4.13. Limitation on the Conduct of Business of DJ Capital. DJ Capital shall not conduct any business or other activities, own any property, enter into any agreements or Incur any Indebtedness or other liabilities, other than in connection with serving as an Issuer and obligor with respect to the Securities and its guarantee in respect of the Credit Agreement.

ARTICLE 5

Successor Company

SECTION 5.01. (a) When Company May Merge or Transfer Assets. Neither the Company nor DJ Capital shall consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person; provided, however, that the Company may consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person if:

(i) the resulting, surviving or transferee Person (the "Successor Company") shall be a corporation, partnership or limited liability company organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and the Successor Company (if not the Company) shall expressly assume, by a supplemental indenture hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Company under the Securities and this Indenture;

(ii) immediately after giving effect to such transaction (and treating any Indebtedness which becomes an obligation of the Successor Company or any Restricted Subsidiary as a result of such transaction as having been Incurred by the Successor Company or such Restricted Subsidiary at the time of such transaction), no Default shall have occurred and be continuing;

(iii) immediately after giving effect to such transaction, the Successor Company would be able to Incur an additional $1.00 of

Indebtedness pursuant to Section 4.03(a); and

(iv) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with this Indenture.

The Successor Company shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture, but the predecessor Company in the case of a conveyance, transfer or lease of all or substantially all its assets shall not be released from the obligation to pay the principal of and interest on the Securities.

(b) The Company shall not permit any Note Guarantor (other than DonJoy) to consolidate with or merge with or into, or convey, transfer or lease all or substantially all of its assets to any Person unless: (i) the resulting, surviving or transferee Person will be a corporation, partnership or limited liability company organized and existing under the laws of the United States of America, any State thereof or the District of Columbia, and such Person (if not such Note Guarantor) shall expressly assume, by a supplemental indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of such Note Guarantor under its Note Guarantee; (ii) immediately after giving effect to such transaction (and treating any Indebtedness which becomes an obligation of the resulting, surviving or transferee Person as a result of such transaction as having been Incurred by such Person at the time of such transaction), no Default shall have occurred and be continuing; and (iii) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with this Indenture.

(c) Notwithstanding any of the foregoing, (i) any Restricted Subsidiary (other than DJ Capital) may consolidate with, merge into or transfer all or part of its properties and assets to the Company or a Subsidiary that is a Note Guarantor and (ii) the Company may merge with an Affiliate incorporated solely for (A) the purpose of

incorporating the Company or (B) organizing the Company in another jurisdiction to realize tax or other benefits.

ARTICLE 6

Defaults and Remedies

SECTION 6.01. Events of Default. An "Event of Default" occurs if:

(a) the Issuers default in any payment of interest on any Security when the same becomes due and payable or in any payment of liquidated damages, whether or not such payment shall be prohibited by Article 10, and such default continues for a period of 30 days;

(b) the Issuers (i) default in the payment of the principal of any Security when the same becomes due and payable at its Stated Maturity, upon required redemption or repurchase, upon declaration or otherwise, whether or not such payment shall be prohibited by Article 10 or (ii) fail to redeem or purchase Securities when required pursuant to this Indenture or the Securities, whether or not such redemption or purchase shall be prohibited by Article 10;

(c) either Issuer fails to comply with Section 5.01;

(d) either Issuer fails to comply with Section 4.02, 4.03, 4.04, 4.05, 4.06, 4.07, 4.08, 4.11, 4.12 or 4.13, (other than a failure to purchase Securities when required under Section 4.06 or 4.08) and such failure continues for 30 days after the notice specified below;

(e) either Issuer or any Note Guarantor fails to comply with any of its agreements in the Securities or this Indenture (other than those referred to in (a), (b), (c) or (d) above) and such failure continues for 60 days after the notice specified below;

(f) Indebtedness of either Issuer or any Restricted Subsidiary of the Company is not paid within any applicable grace period after final maturity or the acceleration by the holders thereof because of a default and the total amount of such Indebtedness unpaid or accelerated exceeds $10.0 million or its foreign currency equivalent at the time and such failure continues for 10 days after the notice specified below;

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(g) either Issuer or any Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(i) commences a voluntary case;

(ii) consents to the entry of an order for relief against it in an involuntary case;

(iii) consents to the appointment of a Custodian of it or for any substantial part of its property; or

(iv) makes a general assignment for the benefit of its creditors;

or takes any comparable action under any foreign laws relating to insolvency;

(h) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against either Issuer or any Significant Subsidiary in an involuntary case;

(ii) appoints a Custodian of either Issuer or any Significant Subsidiary or for any substantial part of its property; or

(iii) orders the winding up or liquidation of either Issuer or any Significant Subsidiary;

or any similar relief is granted under any foreign laws and the order or decree remains unstayed and in effect for 60 days;

(i) the rendering of any judgment or decree for the payment of money in excess of $10.0 million (net of any amounts with respect to which a reputable and creditworthy insurance company has acknowledged liability in writing) or its foreign currency equivalent against the Company, DJ Capital or a Restricted Subsidiary if (i) an enforcement proceeding thereon is commenced by any creditor or (ii) there is a period of 60 days following the entry of such judgment or decree during which such judgment or decree is not discharged, waived or the execution thereof stayed; or

(j) any Note Guarantee ceases to be in full force and effect (except as contemplated by the terms thereof) or any Note Guarantor or Person acting by or on behalf of such Note Guarantor denies or disaffirms its obligations under this

Indenture or any Note Guarantee and such Default continues for 10 days after the notice specified below.

The foregoing shall constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is 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.

The term "Bankruptcy Law" means Title 11, United States Code, or any similar Federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

A Default under clause (d), (e), (f) or (j) above is not an Event of Default until the Trustee notifies the Issuers or the Holders of at least 25% in principal amount of the outstanding Securities notify the Issuers and the Trustee of the Default and the Issuers or the Note Guarantor, as applicable, do not cure such Default within the time specified after receipt of such notice. Such notice must specify the Default, demand that it be remedied and state that such notice is a "Notice of Default".

The Issuers shall deliver to the Trustee, within 30 days after the occurrence thereof, written notice in the form of an Officers' Certificate of any event which with the giving of notice or the lapse of time would become an Event of Default, its status and what action the Issuers are taking or propose to take with respect thereto.

SECTION 6.02. Acceleration. If an Event of Default (other than an Event of Default specified in Section 6.01(g) or (h) with respect to the Company or DJ Capital) occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the outstanding Securities, by written notice to the Issuers and the Trustee specifying the Event of Default and that it is a "notice of acceleration", may declare the principal of and accrued but unpaid interest and liquidated damages on all the Securities to be due and payable. Upon such a declaration, such principal and interest and liquidated damages (if any) shall be due and payable immediately. If an Event of Default specified in Section 6.01(g) or (h) with respect to the Company or DJ Capital occurs, the principal of and interest and liquidated damages (if any) on all the Securities shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. The Holders of a majority in principal amount of the Securities by notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of acceleration. No such rescission shall affect any subsequent Default or impair any right consequent thereto.

SECTION 6.03. Other Remedies. If an Event of Default occurs and

is continuing, the Trustee may pursue any available remedy to collect the payment of principal of or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

SECTION 6.04. Waiver of Past Defaults. The Holders of a majority in principal amount of the Securities by notice to the Trustee may waive an existing Default and its consequences except (a) a Default in the payment of the principal of or interest on a Security, (b) a Default arising from the failure to redeem or purchase any Security when required pursuant to the terms of this Indenture or (c) a Default in respect of a provision that under Section 9.02 cannot be amended without the consent of each Holder affected. When a Default is waived, it is deemed cured, but no such waiver shall extend to any subsequent or other Default or impair any consequent right.

SECTION 6.05. Control by Majority. The Holders of a majority in principal amount of the Securities may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or, subject to Section 7.01, that the Trustee determines is unduly prejudicial to the rights of other Holders or would involve the Trustee in personal liability; provided, however, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. Prior to taking any action hereunder, the Trustee shall be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

SECTION 6.06. Limitation on Suits. (a) Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no Holder may pursue any remedy with respect to this Indenture or the Securities unless:

(i) the Holder gives to the Trustee written notice stating that an Event of Default is continuing;

(ii) the Holders of at least 25% in principal amount of the Securities make a written request to the Trustee to pursue the remedy;

(iii) such Holder or Holders offer to the Trustee reasonable security or indemnity against any loss, liability or expense;

(iv) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of security or indemnity; and

(v) the Holders of a majority in principal amount of the Securities do not give the Trustee a direction inconsistent with the request during such 60-day period.

(b) A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

SECTION 6.07. Rights of Holders To Receive Payment. Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal of and liquidated damages and interest on the Securities held by such Holder, on or after the respective due dates expressed

or provided for in the Securities, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 6.08. Collection Suit by Trustee. If an Event of Default specified in Section 6.01(a) or (b) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Issuers or any other obligor on the Securities for the whole amount then due and owing (together with interest on overdue principal and (to the extent lawful) on any unpaid interest at the rate provided for in the Securities) and the amounts provided for in Section 7.07.

SECTION 6.09. Trustee May File Proofs of Claim. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders allowed in any judicial proceedings relative to the Issuers, any Subsidiary or Note Guarantor, their creditors or their property and, unless prohibited by law or applicable regulations, may vote on behalf of the Holders in any election of a trustee in bankruptcy or other Person performing similar functions, and any Custodian in any such judicial proceeding is hereby authorized by each Holder to make payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and its counsel, and any other amounts due the Trustee under Section 7.07.

SECTION 6.10. Priorities. If the Trustee collects any money or property pursuant to this Article 6, it shall pay out the money or property in the following order:

FIRST: to the Trustee for amounts due under Section 7.07;

SECOND: to holders of Senior Indebtedness of either Issuer to the extent required by Article 10 and to holders of Senior Indebtedness of the Note Guarantors to the extent required by Article 12;

THIRD: to Holders for amounts due and unpaid on the Securities for principal and interest, ratably, and any liquidated damages without preference or priority of any kind, according to the amounts due and payable on the Securities for principal, any liquidated damages and interest, respectively; and

FOURTH: to the Issuers.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section. At least 15 days before such record date, the Trustee shall mail to each Holder and the Issuers a notice that states the record date, the payment date and amount to be paid.

SECTION 6.11. Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07 or a suit by Holders of more than 10% in principal amount of the Securities.

SECTION 6.12. Waiver of Stay or Extension Laws. Neither the

Issuers nor any Note Guarantor (to the extent they may lawfully do so) shall at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Issuers and each Note Guarantor (to the extent that they may lawfully do so) hereby expressly waive all benefit or advantage of any such law, and shall not hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE 7

Trustee

SECTION 7.01. Duties of Trustee. (a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own wilful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

(iv) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall

have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section.

(e) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Issuers.

(f) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(g) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section and to the provisions of the TIA.

SECTION 7.02. Rights of Trustee. (a) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on the Officers' Certificate or Opinion of Counsel.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided, however, that the Trustee's conduct does not constitute wilful misconduct or negligence.

(e) The Trustee may consult with counsel of its selection, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Securities shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, debenture, note or other paper or document unless requested in writing to do so by the Holders of not less than a majority

in principal amount of the Securities at the time outstanding, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuers, personally or by agent or attorney at the Issuers' expense.

SECTION 7.03. Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Issuers or their Affiliates with the same rights it would have if it were not Trustee. Any Paying Agent, Registrar or co-paying agent may do the same with like rights. However, the Trustee must

comply with Sections 7.10 and 7.11.

SECTION 7.04. Trustee's Disclaimer. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture, any Note Guarantee or the Securities, it shall not be accountable for the Issuers' use of the proceeds from the Securities, and it shall not be responsible for any statement of the Issuers' or any Note Guarantor in this Indenture or in any document issued in connection with the sale of the Securities or in the Securities other than the Trustee's certificate of authentication. The Trustee shall not be charged with knowledge of any Default or Event of Default under Sections 6.01(c), (d), (e), (f), (i) or (j) or of the identity of any Significant Subsidiary unless either (a) a Trust Officer shall have actual knowledge thereof or (b) the Trustee shall have received notice thereof in accordance with Section 13.02 hereof from the Issuers, any Note Guarantor or any Holder.

SECTION 7.05. Notice of Defaults. If a Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each Holder notice of the Default within the earlier of 90 days after it occurs or 30 days after it is known to a trust officer. Except in the case of a Default in payment of principal of or interest on any Security (including payments pursuant to the mandatory redemption provisions of such Security, if any), the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the interests of Holders.

SECTION 7.06. Reports by Trustee to Holders. As promptly as practicable after each May 15 beginning with the May 15 following the date of this Indenture, the Trustee shall mail to each Holder a brief report dated as of such May 15 that complies with Section 313(a) of the TIA if and to the extent required thereby. The Trustee shall also comply with Sections 313(b) and 313(c) of the TIA.

A copy of each report at the time of its mailing to Holders shall be filed with the SEC and each stock exchange (if any) on which the Securities are listed. The

Company agrees to notify promptly the Trustee whenever the Securities become listed on any stock exchange and of any delisting thereof.

SECTION 7.07. Compensation and Indemnity. The Issuers shall pay to the Trustee from time to time reasonable compensation for its services as shall be agreed to in writing from time to time by the Issuers and the Trustee. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Issuers shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Trustee's agents, counsel, accountants and experts. The Issuers and each Note Guarantor, jointly and severally, shall indemnify the Trustee and any predecessor Trustee against any and all loss, liability or expense (including reasonable attorneys' fees), including taxes (other than taxes based upon, measured by or determined by the income of the Trustee) incurred by or in connection with the administration of this trust and the performance of its duties hereunder. The Trustee shall notify the Issuers of any claim for which it may seek indemnity promptly upon obtaining actual knowledge thereof; provided, however, that any failure so to notify the Issuers shall not relieve the Issuers or any Note Guarantor of their indemnity obligations hereunder. The Issuers shall defend the claim and the indemnified party shall provide reasonable cooperation at the Issuers' expense in the defense. Such indemnified parties may have separate counsel and the Issuers and the Note Guarantors, as applicable, shall pay the fees and expenses of such counsel; provided, however, that the Issuers shall not be required to pay such

fees and expenses if they assume such indemnified parties' defense and, in such indemnified parties' reasonable judgment, there is no conflict of interest between the Issuers and the Note Guarantors, as applicable, and such parties in connection with such defense. The Issuers need not reimburse any expense or indemnify against any loss, liability or expense incurred by an indemnified party through such party's own wilful misconduct, negligence or bad faith.

To secure the Issuers' payment obligations in this Section, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee other than money or property held in trust to pay principal of and interest and any liquidated damages on particular Securities.

The Issuers' payment obligations pursuant to this Section shall survive the satisfaction or discharge of this Indenture, any rejection or termination of this Indenture under any bankruptcy law or the resignation or removal of the Trustee. Without prejudice to any other rights available to the Trustee under applicable law, when the Trustee incurs expenses after the occurrence of a Default specified in Section 6.01(g) or (h) with respect to either of the Issuers, the expenses are intended to constitute expenses of administration under the Bankruptcy Law.

SECTION 7.08. Replacement of Trustee. (a) The Trustee may resign at any time by so notifying the Issuers. The Holders of a majority in principal amount of the Securities may remove the Trustee by so notifying the Trustee and may appoint a successor Trustee. The Issuers shall remove the Trustee if:

(i) the Trustee fails to comply with Section 7.10;

(ii) the Trustee is adjudged bankrupt or insolvent;

(iii) a receiver or other public officer takes charge of the Trustee or its property; or

(iv) the Trustee otherwise becomes incapable of acting.

(b) If the Trustee resigns, is removed by the Issuers or by the Holders of a majority in principal amount of the Securities and such Holders do not reasonably promptly appoint a successor Trustee, or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Issuers shall promptly appoint a successor Trustee.

(c) A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Issuers. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.07.

(d) If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee or the Holders of 10% in principal amount of the Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee fails to comply with Section 7.10, unless the Trustee's duty to resign is stayed as provided in TIA Section 310(b), any Holder who has been a bona fide holder of a Security for at least six months may petition any court of competent jurisdiction for the removal of the Trustee and

the appointment of a successor Trustee.

(f) Notwithstanding the replacement of the Trustee pursuant to this Section, the Issuers' obligations under Section 7.07 shall continue for the benefit of the retiring Trustee.

SECTION 7.09. Successor Trustee by Merger. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

In case at the time such successor or successors by merger, conversion or consolidation to the Trustee shall succeed to the trusts created by this Indenture any of the Securities shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Securities so authenticated; and in case at that time any of the Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Securities or in this Indenture provided that the certificate of the Trustee shall have.

SECTION 7.10. Eligibility; Disqualification. The Trustee shall at all times satisfy the requirements of TIA Section 310(a). The Trustee shall have a combined capital and surplus of at least $100,000,000 as set forth in its most recent published annual report of condition. The Trustee shall comply with TIA Section 310(b), subject to its right to apply for a stay of its duty to resign under the penultimate paragraph of TIA Section 310(b); provided, however, that there shall be excluded from the operation of TIA Section 310(b)(1) any indenture or indentures under which other securities or certificates of interest or participation in other securities of the Issuers are outstanding if the requirements for such exclusion set forth in TIA Section 310(b)(1) are met.

SECTION 7.11. Preferential Collection of Claims Against Issuers. The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated.

ARTICLE 8

Discharge of Indenture; Defeasance

SECTION 8.01. Discharge of Liability on Securities; Defeasance. (a) When (i) all outstanding Securities (other than Securities replaced or paid pursuant to Section 2.07) have been canceled or delivered to the Trustee for cancelation or (ii) all outstanding Securities have become due and payable, whether at maturity or as a result of the mailing of a notice of redemption pursuant to Article 3 hereof, and the Issuers irrevocably deposit with the Trustee funds in an amount sufficient or U.S. Government Obligations, the principal of and interest on which will be sufficient, or a combination thereof sufficient, in the written opinion of a nationally recognized firm of independent public accountants delivered to the Trustee (which delivery shall

only be required if U.S. Government Obligations have been so deposited) to pay the principal of and interest on the outstanding Securities when due at maturity or upon redemption of, including interest thereon to maturity or such redemption date (other than Securities replaced or paid pursuant to Section 2.07) and liquidated damages, if any, and if in either case the Issuers pay all other sums payable hereunder by the Issuers, then this Indenture shall, subject to Section 8.01(c), cease to be of further effect. The Trustee shall acknowledge satisfaction and discharge of this Indenture on demand of the Issuers accompanied by an Officers' Certificate and an Opinion of Counsel and at the cost and expense of the Issuers.

(b) Subject to Sections 8.01(c) and 8.02, the Issuers at any time may terminate (i) all of their obligations under the Securities and this Indenture ("legal defeasance option") or (ii) their obligations under Sections 4.02, 4.03, 4.04, 4.05, 4.06, 4.07, 4.08, 4.11, 4.12, 4.13 and the operation of Section 5.01(a)(iii), 6.01(d), 6.01(f), 6.01(g) (with respect to Significant Subsidiaries of the Company only), 6.01(h) (with respect to Significant Subsidiaries of the Company only), 6.01(i) and 6.01(j) ("covenant defeasance option"). The Issuers may exercise their legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. In the event that the Issuers terminate all of their obligations under the Securities and this Indenture by exercising their legal defeasance option or their covenant defeasance option, the obligations under the Note Guarantees shall each be terminated simultaneously with the termination of such obligations.

If the Issuers exercise their legal defeasance option, payment of the Securities may not be accelerated because of an Event of Default. If the Issuers exercise their covenant defeasance option, payment of the Securities may not be accelerated because of an Event of Default specified in Section 6.01(d), 6.01(f), 6.01(g) (with respect to Significant Subsidiaries of the Company only), 6.01(h) (with respect to Significant Subsidiaries of the Company only), 6.01(i) or 6.01(j) or because of the failure of the Issuers to comply with Section 5.01(a)(iii).

Upon satisfaction of the conditions set forth herein and upon request of the Issuers, the Trustee shall acknowledge in writing the discharge of those obligations that the Issuers terminate.

(c) Notwithstanding clauses (a) and (b) above, the Issuers' obligations in Sections 2.03, 2.04, 2.05, 2.06, 2.07, 2.08, 7.07, 7.08 and in this Article 8 shall survive until the Securities have been paid in full. Thereafter, the Issuers' obligations in Sections 7.07, 8.04, 8.05 and 8.06 shall survive.

SECTION 8.02. (a) Conditions to Defeasance. The Issuers may exercise their legal defeasance option or their covenant defeasance option only if:

(i) the Issuers irrevocably deposit in trust with the Trustee money in an amount sufficient or U.S. Government Obligations, the principal of and interest on which will be sufficient, or a combination thereof sufficient, to pay the principal, premium (if any) and interest on the Securities when due at maturity or redemption, as the case may be, including interest thereon to maturity or such redemption date and liquidated damages, if any;

(ii) the Issuers deliver to the Trustee a certificate from a nationally recognized firm of independent accountants expressing their opinion that the payments of principal and interest when due and without reinvestment on the deposited U.S. Government Obligations plus any deposited money without investment will provide cash at such times

and in such amounts as will be sufficient to pay principal and interest when due on all the Securities to maturity or redemption, as the case may be;

(iii) 123 days pass after the deposit is made and during the 123-day period no Default specified in Section 6.01(g) or (h) with respect to the Issuers occurs which is continuing at the end of the period;

(iv) the deposit does not constitute a default under any other agreement binding on the Issuers and is not prohibited by Article 10;

(v) the Issuers deliver to the Trustee an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the Investment Company Act of 1940;

(vi) in the case of the legal defeasance option, the Issuers shall have delivered to the Trustee an Opinion of Counsel stating that (1) the Issuers have received from, or there has been published by, the Internal Revenue Service a ruling, or (2) since the date of this Indenture there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders will not recognize income, gain or loss for Federal income tax purposes as a result of such

defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred;

(vii) in the case of the covenant defeasance option, the Issuers shall have delivered to the Trustee an Opinion of Counsel to the effect that the Securityholders will not recognize income, gain or loss for Federal income tax purposes as a result of such covenant defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred; and

(viii) the Issuers deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance and discharge of the Securities as contemplated by this Article 8 have been complied with.

(b) Before or after a deposit, the Issuers may make arrangements satisfactory to the Trustee for the redemption of Securities at a future date in accordance with Article 3.

SECTION 8.03. Application of Trust Money. The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to this Article 8. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal of and interest on the Securities. Money and securities so held in trust are not subject to Article 10 or 12.

SECTION 8.04. Repayment to Issuers. The Trustee and the Paying Agent shall promptly turn over to the Issuers upon request any money or U.S. Government Obligations held by it as provided in this Article which, in the written opinion of nationally recognized firm of independent public accountants delivered to the Trustee (which delivery shall only be required if U.S. Government Obligations have been so deposited), are in excess of the amount thereof which would then be required to be deposited to effect an equivalent

discharge or defeasance in accordance with this Article.

Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Issuers upon written request any money held by them for the payment of principal or interest that remains unclaimed for two years, and, thereafter, Holders entitled to the money must look to the Issuers for payment as general creditors and the Trustee, and the Paying Agent shall have no further liability with respect to such monies.

SECTION 8.05. Indemnity for Government Obligations. The Issuers shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against deposited U.S. Government Obligations or the principal and interest received on such U.S. Government Obligations.

SECTION 8.06. Reinstatement. If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with this Article 8 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuers' obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to this Article 8 until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with this Article 8; provided, however, that, if the Issuers have made any payment of interest on or principal of any Securities because of the reinstatement of their obligations, the Issuers shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE 9

Amendments

SECTION 9.01. (a) Without Consent of Holders. The Issuers, the Note Guarantors and the Trustee may amend this Indenture or the Securities without notice to or consent of any Holder:

(i) to cure any ambiguity, omission, defect or inconsistency;

(ii) to comply with Article 5;

(iii) to provide for uncertificated Securities in addition to or in place of certificated Securities; provided, however, that the uncertificated Securities are issued in registered form for purposes of Section 163(f) of the Code or in a manner such that the uncertificated Securities are described in Section 163(f)(2)(B) of the Code;

(iv) to make any change in Article 10 or Article 12 that would limit or terminate the benefits available to any holder of Senior Indebtedness (or Representatives therefor) under Article 10 or Article 12;

(v) to add additional Note Guarantees with respect to the Securities or to secure the Securities;

(vi) to add to the covenants of the Issuers for the benefit of

the Holders or to surrender any right or power herein conferred upon the Issuers;

(vii) to comply with any requirement of the SEC in connection with qualifying, or maintaining the qualification of, this Indenture under the TIA;

(viii) to make any change that does not materially and adversely affect the rights of any Holder; or

(ix) to provide for the issuance of the Exchange Securities or Private Exchange Securities which shall have terms substantially identical in all material respects to the Initial Securities (except that the transfer restrictions contained in the Initial Securities shall be modified or eliminated, as appropriate), and which shall be treated, together with any outstanding Initial Securities, as a single issue of securities.

(b) An amendment under this Section 9.01 may not make any change that adversely affects the rights under Article 10 or Article 12 of any holder of Senior Indebtedness then outstanding unless the holders of such Senior Indebtedness (or any group or representative thereof authorized to give a consent) consent to such change.

After an amendment under this Section becomes effective, the Issuers shall mail to Holders a notice briefly describing such amendment. The failure to give such notice to all Holders, or any defect therein, shall not impair or affect the validity of an amendment under this Section.

SECTION 9.02. With Consent of Holders. (a) The Issuers, the Note Guarantors and the Trustee may amend this Indenture or the Securities without notice to any Holder but with the written consent of the Holders of at least a majority in principal amount of the Securities then outstanding (including consents obtained in connection with a tender offer or exchange for the Securities) and compliance with any provisions of this Indenture may be waived with the written consent of the Holders of at least a majority in principal amount of the Securities then outstanding (including consents obtained in connection with a tender offer or exchange offer for the Securities). However, without the consent of each Holder affected, an amendment or waiver may not:

(i) reduce the amount of Securities whose Holders must consent to an amendment;

(ii) reduce the rate of or extend the time for payment of interest or any liquidated damages on any Security;

(iii) reduce the principal of or extend the Stated Maturity of any Security;

(iv) reduce the premium payable upon the redemption of any Security or change the time at which any Security may be redeemed in accordance with Article 3;

(v) make any Security payable in money other than that stated in the Security;

(vi) make any change in Article 10 or Article 12 that adversely affects the rights of any Holder under Article 10 or Article 12;

(vii) make any change in Section 6.04 or 6.07 or the second sentence of this Section 9.02; or

(viii) modify the Note Guarantees in any manner adverse to the

Holders.

It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof.

An amendment under this Section 9.02 may not make any change that adversely affects the rights under Article 10 or Article 12 of any holder of Senior Indebtedness then outstanding unless the holders of such Senior Indebtedness (or any group or representative thereof authorized to give a consent) consent to such change.

After an amendment under this Section 9.02 becomes effective, the Issuers shall mail to Holders a notice briefly describing such amendment. The failure to give such notice to all Holders, or any defect therein, shall not impair or affect the validity of an amendment under this Section 9.02.

SECTION 9.03. Compliance with Trust Indenture Act. Every amendment to this Indenture or the Securities shall comply with the TIA as then in effect.

SECTION 9.04. Revocation and Effect of Consents and Waivers. (a) A consent to an amendment or a waiver by a Holder of a Security shall bind the Holder and every subsequent Holder of that Security or portion of the Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent or waiver is not made on the Security. However, any such Holder or subsequent Holder may revoke

the consent or waiver as to such Holder's Security or portion of the Security if the Trustee receives the notice of revocation before the date on which the Trustee receives an Officers' Certificate from the Issuers certifying that the requisite number of consents have been received. After an amendment or waiver becomes effective, it shall bind every Holder. An amendment or waiver becomes effective upon the (i) receipt by the Issuers or the Trustee of the requisite number of consents, (ii) satisfaction of conditions to effectiveness as set forth in this Indenture and any indenture supplemental hereto containing such amendment or waiver and (iii) execution of such amendment or waiver (or supplemental indenture) by the Issuers and the Trustee.

(b) The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to give their consent or take any other action described above or required or permitted to be taken pursuant to this Indenture. If a record date is fixed, then notwithstanding the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or to revoke any consent previously given or to take any such action, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 120 days after such record date.

SECTION 9.05. Notation on or Exchange of Securities. If an amendment changes the terms of a Security, the Trustee may require the Holder of the Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security regarding the changed terms and return it to the Holder. Alternatively, if the Issuers or the Trustee so determine, the Issuers in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms. Failure to make the appropriate notation or to issue a new Security shall not affect the validity of such amendment.

SECTION 9.06. Trustee To Sign Amendments. The Trustee shall sign

any amendment authorized pursuant to this Article 9 if the amendment does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may but need not sign it. In signing such amendment the Trustee shall be entitled to receive indemnity reasonably satisfactory to it and to receive, and (subject to Section 7.01) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that such amendment is authorized or permitted by this Indenture and that such amendment is the legal, valid and binding obligation of the Issuers and the Note Guarantors enforceable against them in accordance with its terms, subject to customary exceptions, and complies with the provisions hereof (including Section 9.03).

ARTICLE 10

Subordination

SECTION 10.01. Agreement To Subordinate. The Issuers agree, and each Holder by accepting a Security agrees, that the Indebtedness evidenced by the Securities is subordinated in right of payment, to the extent and in the manner provided in this Article 10, to the prior payment in full of all Senior Indebtedness of each of the Issuers and that the subordination is for the benefit of and enforceable by the holders of such Senior Indebtedness. The Securities shall in all respects rank pari passu with all other Senior Subordinated Indebtedness of each of the Issuers and shall rank senior to all existing and future Subordinated Obligations of each of the Issuers; and only Indebtedness of either of the Issuers that is Senior Indebtedness of the Issuers shall rank senior to the Securities in accordance with the provisions set forth herein. For purposes of this Article 10, the Indebtedness evidenced by the Securities shall be deemed to include the liquidated damages payable pursuant to the provisions set forth in the Securities and the Registration Agreement. All provisions of this Article 10 shall be subject to Section 10.12.

SECTION 10.02. Liquidation, Dissolution, Bankruptcy. Upon any payment or distribution of the assets of the Company or DJ Capital to their respective creditors upon a total or partial liquidation or a total or partial dissolution of the Company or DJ Capital or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its property or DJ Capital or its property:

(a) holders of Senior Indebtedness of the Company or DJ Capital, as the case may be, shall be entitled to receive payment in full of such Senior Indebtedness before Holders shall be entitled to receive any payment of principal of or interest on the Securities; and

(b) until the Senior Indebtedness of the Company and DJ Capital, as the case may be, is paid in full, any payment or distribution to which Holders would be entitled but for this Article 10 shall be made to holders of such Senior Indebtedness as their interests may appear, except that Holders may receive Equity Interests and any debt securities that are subordinated to such Senior Indebtedness to at least the same extent as the Securities.

SECTION 10.03. Default on Designated Senior Indebtedness of the Issuers. The Issuers may not pay the principal of, premium (if any) or interest on the Securities or make any deposit pursuant to Section 8.01 and may not otherwise repurchase, redeem or otherwise retire any Securities (collectively, "pay the Securities")

if (a) any Designated Senior Indebtedness of either of the Issuers is not paid when due or (b) any other default on such Designated Senior Indebtedness occurs and the maturity of such Designated Senior Indebtedness is accelerated in accordance with its terms unless, in either case, (i) the default has been cured or waived and any such acceleration has been rescinded or (ii) such Designated Senior Indebtedness has been paid in full; provided, however, that the Issuers may pay the Securities without regard to the foregoing if the Issuers and a Trust Officer of the Trustee receive written notice approving such payment from the Representative of the holders of such Designated Senior Indebtedness with respect to which either of the events set forth in clause (a) or (b) of this sentence has occurred and is continuing. During the continuance of any default (other than a default described in clause (a) or (b) of the preceding sentence) with respect to any Designated Senior Indebtedness of either Issuer pursuant to which the maturity thereof may be accelerated immediately without further notice (except such notice as may be required to effect such acceleration) or the expiration of any applicable grace periods, the Issuers may not pay the Securities for a period (a "Payment Blockage Period") commencing upon the receipt by a Trust Officer of the Trustee (with a copy to the Issuers) of written notice, specified as a "notice of default" and describing with particularity the default under such Designated Senior Indebtedness (a "Blockage Notice"), of such default from the Representative of the holders of such Designated Senior Indebtedness specifying an election to effect a Payment Blockage Period and ending 179 days thereafter (or earlier if such Payment Blockage Period is terminated (a) by written notice to the Trustee and the Issuers from the Person or Persons who gave such Blockage Notice, (b) by repayment in full of such Designated Senior Indebtedness or (c) because the default giving rise to such Blockage Notice is no longer continuing). Notwithstanding the provisions described in the immediately preceding sentence (but subject to the provisions contained in the first sentence of this Section 10.03), unless the holders of such Designated Senior Indebtedness or the Representative of such holders shall have accelerated the maturity of such Designated Senior Indebtedness, the Issuers may resume payments on the Securities after the end of such Payment Blockage Period, including any missed payments. Not more than one Blockage Notice may be given in any consecutive 360-day period, irrespective of the number of defaults with respect to Designated Senior Indebtedness during such period; provided, however, that if any Blockage Notice within such 360-day period is given by or on behalf of any holders of Designated Senior Indebtedness other than the Bank Indebtedness, the Representative of the Bank Indebtedness may give another Blockage Notice within such period; provided further, however, that in no event may the total number of days during which any Payment Blockage Period or Periods is in effect exceed 179 days in the aggregate during any 360 consecutive day period. For purposes of this Section 10.03, no default or event of default that existed or was continuing on the date of the commencement of any Payment Blockage Period with respect to the Designated Senior Indebtedness initiating such Payment Blockage Period shall be, or be made, the basis of the commencement of a subsequent Payment Blockage Period by the Representative of such Designated Senior Indebtedness, whether or not

within a period of 360 consecutive days, unless such default or event of default shall have been cured or waived for a period of not less than 90 consecutive days.

SECTION 10.04. Acceleration of Payment of Securities; Five Business Day Delay in Payment of Designated Senior Indebtedness Outstanding. If payment of the Securities is accelerated because of an Event of Default, the Issuers or the Trustee (provided, that a Trust Officer of the Trustee shall have received written notice from the Issuers or a Representative identifying such Designated Senior Indebtedness, on which notice the Trustee shall be

entitled to conclusively rely) shall promptly notify the holders of each Issuer's Designated Senior Indebtedness (or their Representative) of the acceleration. If any such Designated Senior Indebtedness is outstanding, the Issuers may not pay the Securities until five Business Days after such holders or the Representative of such Designated Senior Indebtedness receive notice of such acceleration and, thereafter, may pay the Securities only if this Article 10 otherwise permits payment at that time.

SECTION 10.05. When Distribution Must Be Paid Over. If a payment or distribution is made to Holders that because of this Article 10 should not have been made to them, the Holders who receive the distribution shall hold such payment or distribution in trust for holders of each Issuer's Senior Indebtedness and pay it over to them as their interests may appear.

SECTION 10.06. Subrogation. After all Senior Indebtedness of the Issuers is paid in full and until the Securities are paid in full, Holders shall be subrogated to the rights of holders of such Senior Indebtedness to receive distributions applicable to Senior Indebtedness of the Issuers. A distribution made under this Article 10 to holders of such Senior Indebtedness which otherwise would have been made to Holders is not, as between the applicable Issuer and Holders, a payment by such Issuer on such Senior Indebtedness.

SECTION 10.07. Relative Rights. This Article 10 defines the relative rights of Holders and holders of each Issuer's Senior Indebtedness. Nothing in this Indenture shall:

(a) impair, as between either Issuer and Holders, the obligation of such Issuer, which is absolute and unconditional, to pay principal of and interest on and liquidated damages in respect of, the Securities in accordance with their terms; or

(b) prevent the Trustee or any Holder from exercising its available remedies upon a Default, subject to the rights of holders of Senior Indebtedness of either Issuer to receive distributions otherwise payable to Holders.

SECTION 10.08. Subordination May Not Be Impaired by Either Issuer. No right of any holder of Senior Indebtedness of either Issuer to enforce the subordination of the Indebtedness evidenced by the Securities shall be impaired by any act or failure to act by such Issuer or by its failure to comply with this Indenture.

SECTION 10.09. Rights of Trustee and Paying Agent. Notwithstanding Section 10.03, the Trustee or Paying Agent may continue to make payments on the Securities and shall not be charged with knowledge of the existence of facts that would prohibit the making of any such payments unless, not less than two Business Days prior to the date of such payment, a Trust Officer of the Trustee receives written notice satisfactory to it that payments may not be made under this Article 10. The Issuers, the Registrar or co-registrar, the Paying Agent, a Representative or a holder of either Issuer's Senior Indebtedness may give the notice; provided, however, that, if an issue of either of the Issuer's Senior Indebtedness has a Representative, only the Representative may give the notice.

The Trustee in its individual or any other capacity may hold Senior Indebtedness of either of the Issuers with the same rights it would have if it were not Trustee. The Registrar and co-registrar and the Paying Agent may do the same with like rights. The Trustee shall be entitled to all the rights set forth in this Article 10 with respect to either Issuer's Senior Indebtedness which may at any time be held by it, to the same extent as any other holder of such Senior Indebtedness; and nothing in Article 7 shall

deprive the Trustee of any of its rights as such holder. Nothing in this Article 10 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 7.07 or any other Section of this Indenture.

SECTION 10.10. Distribution or Notice to Representative. Whenever a distribution is to be made or a notice given to holders of either Issuer's Senior Indebtedness, the distribution may be made and the notice given to their Representative (if any).

SECTION 10.11. Article 10 Not To Prevent Events of Default or Limit Right To Accelerate. The failure to make a payment pursuant to the Securities by reason of any provision in this Article 10 shall not be construed as preventing the occurrence of a Default. Nothing in this Article 10 shall have any effect on the right of the Securityholders or the Trustee to accelerate the maturity of the Securities.

SECTION 10.12. Trust Monies Not Subordinated. Notwithstanding anything contained herein to the contrary, payments from money or the proceeds of U.S. Government Obligations held in trust under Article 8 by the Trustee for the payment of principal of and interest on the Securities and liquidated damages, if any, shall not be subordinated to the prior payment of any Senior Indebtedness of either of the Issuers or

subject to the restrictions set forth in this Article 10, and none of the Holders shall be obligated to pay over any such amount to either of the Issuers or any holder of Senior Indebtedness or any other creditor of either of the Issuers.

SECTION 10.13. Trustee Entitled To Rely. Upon any payment or distribution pursuant to this Article 10, the Trustee and the Holders shall be entitled to rely (a) upon any order or decree of a court of competent jurisdiction in which any proceedings of the nature referred to in Section 10.02 are pending, (b) upon a certificate of the liquidating trustee or agent or other Person making such payment or distribution to the Trustee or to the Holders or (c) upon the Representatives for the holders of Senior Indebtedness of either of the Issuers for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of such Senior Indebtedness and other Indebtedness of the Issuers, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 10. In the event that the Trustee determines, in good faith, that evidence is required with respect to the right of any Person as a holder of Senior Indebtedness of either of the Issuers to participate in any payment or distribution pursuant to this Article 10, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of such Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and other facts pertinent to the rights of such Person under this Article 10, and, if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment. The provisions of Sections 7.01 and 7.02 shall be applicable to all actions or omissions of actions by the Trustee pursuant to this Article 10.

SECTION 10.14. Trustee To Effectuate Subordination. Each Holder by accepting a Security authorizes and directs the Trustee on his, her or its behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination between the Holders and the holders of Senior Indebtedness of either of the Issuers as provided in this Article 10 and appoints the Trustee as attorney-in-fact for any and all such purposes.

SECTION 10.15. Trustee Not Fiduciary for Holders of Senior Indebtedness. The Trustee shall not be deemed to owe any fiduciary duty to the

holders of Senior Indebtedness of either of the Issuers and shall not be liable to any such holders if it shall mistakenly pay over or distribute to Holders or either of the Issuers or any other Person, money or assets to which any holders of Senior Indebtedness of either of the Issuers shall be entitled by virtue of this Article 10 or otherwise.

SECTION 10.16. Reliance by Holders of Senior Indebtedness on Subordination Provisions. Each Holder by accepting a Security acknowledges and agrees

that the foregoing subordination provisions are, and are intended to be, an inducement and a consideration to each holder of any Senior Indebtedness of either of the Issuers, whether such Senior Indebtedness was created or acquired before or after the issuance of the Securities, to acquire and continue to hold, or to continue to hold, such Senior Indebtedness and such holder of such Senior Indebtedness shall be deemed conclusively to have relied on such subordination provisions in acquiring and continuing to hold, or in continuing to hold, such Senior Indebtedness.

ARTICLE 11

Note Guarantees

SECTION 11.01. (a) Note Guarantees. DonJoy and each other Note Guarantor hereby jointly and severally irrevocably and unconditionally guarantees, as a primary obligor and not merely as a surety, to each Holder and to the Trustee and its successors and assigns (i) the full and punctual payment when due, whether at Stated Maturity, by acceleration, by redemption or otherwise, of all obligations of the Issuers under this Indenture (including obligations to the Trustee) and the Securities, whether for payment of principal of, interest on or liquidated damages in respect of the Securities and all other monetary obligations (to the extent permitted by law) of the Issuers under this Indenture and the Securities and (ii) the full and punctual performance within applicable grace periods of all other obligations of the Issuers whether for fees, expenses, indemnification or otherwise under this Indenture and the Securities (all the foregoing being hereinafter collectively called the "Guaranteed Obligations"). To the fullest extent permitted by applicable law, each Note Guarantor further agrees that the Guaranteed Obligations may be extended or renewed, in whole or in part, without notice or further assent from each such Note Guarantor, and that each such Note Guarantor shall remain bound under this Article 11 notwithstanding any extension or renewal of any Guaranteed Obligation.

(b) Each Note Guarantor waives presentation to, demand of payment from and protest to the Issuers of any of the Guaranteed Obligations and also waives notice of protest for nonpayment. Each Note Guarantor waives notice of any default under the Securities or the Guaranteed Obligations. The obligations of each Note Guarantor hereunder shall not be affected by (i) the failure of any Holder or the Trustee to assert any claim or demand or to enforce any right or remedy against the Issuers or any other Person under this Indenture, the Securities or any other agreement or otherwise; (ii) any extension or renewal of any thereof; (iii) any rescission, waiver, amendment or modification of any of the terms or provisions of this Indenture, the Securities or any other agreement; (iv) the release of any security held by any Holder or the Trustee for the Guaranteed Obligations or any of them; (v) the failure of any Holder or Trustee to exercise any right or remedy against any other guarantor of the Guaranteed Obligations; or (vi) any change in the ownership of such Note Guarantor, except as provided in Section 11.02(b).

(c) Each Note Guarantor hereby waives any right to which it may be entitled to have its obligations hereunder divided among the Note

Guarantors, such that such Note Guarantor's obligations would be less than the full amount claimed. Each Note Guarantor hereby waives any right to which it may be entitled to have the assets of the Issuers first be used and depleted as payment of the Issuers' or such Note Guarantor's obligations hereunder prior to any amounts being claimed from or paid by such Note Guarantor hereunder. Each Note Guarantor hereby waives any right to which it may be entitled to require that the Issuers be sued prior to an action being initiated against such Note Guarantor.

(d) Each Note Guarantor further agrees that its Note Guarantee herein constitutes a guarantee of payment, performance and compliance when due (and not a guarantee of collection) and waives any right to require that any resort be had by any Holder or the Trustee to any security held for payment of the Guaranteed Obligations.

(e) The Note Guarantee of each Note Guarantor is, to the extent and in the manner set forth in Article 12, subordinated and subject in right of payment to the prior payment in full of the principal of and premium, if any, and interest on all Senior Indebtedness of the relevant Note Guarantor and is made subject to such provisions of this Indenture.

(f) Except as expressly set forth in Sections 8.01(b), 11.02 and 11.06, the obligations of each Note Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense of setoff, counterclaim, recoupment or termination whatsoever or by reason of the invalidity, illegality or unenforceability of the Guaranteed Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Note Guarantor herein shall not be discharged or impaired or otherwise affected by the failure of any Holder or the Trustee to assert any claim or demand or to enforce any remedy under this Indenture, the Securities or any other agreement, by any waiver or modification of any thereof, by any default, failure or delay, wilful or otherwise, in the performance of the obligations, or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of any Note Guarantor or would otherwise operate as a discharge of any Note Guarantor as a matter of law or equity.

(g) Each Note Guarantor agrees that its Note Guarantee shall remain in full force and effect until payment in full of all the Guaranteed Obligations. Each Note Guarantor further agrees that its Note Guarantee herein shall, to the fullest extent

permitted by applicable law, continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any Guaranteed Obligation is rescinded or must otherwise be restored by any Holder or the Trustee upon the bankruptcy or reorganization of either of the Issuers or otherwise.

(h) In furtherance of the foregoing and not in limitation of any other right which any Holder or the Trustee has at law or in equity against any Note Guarantor by virtue hereof, upon the failure of the Issuers to pay the principal of or interest on any Guaranteed Obligation when and as the same shall become due, whether at maturity, by acceleration, by redemption or otherwise, or to perform or comply with any other Guaranteed Obligation, each Note Guarantor hereby promises to and shall, upon receipt of written demand by the Trustee, forthwith pay, or cause to be paid, in cash, to the Holders or the Trustee an amount equal to the sum of (i) the unpaid principal amount of such

Guaranteed Obligations, (ii) accrued and unpaid interest on such Guaranteed Obligations (but only to the extent not prohibited by law) and (iii) all other monetary obligations of the Issuers to the Holders and the Trustee.

(i) Each Note Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any Guaranteed Obligations guaranteed hereby until payment in full of all Guaranteed Obligations and all obligations to which the Guaranteed Obligations are subordinated as provided in Article 12. Each Note Guarantor further agrees that, as between it, on the one hand, and the Holders and the Trustee, on the other hand, to the fullest extent permitted by applicable law, (i) the maturity of the Guaranteed Obligations guaranteed hereby may be accelerated as provided in Article 6 for the purposes of any Note Guarantee herein, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Guaranteed Obligations guaranteed hereby, and (ii) in the event of any declaration of acceleration of such Guaranteed Obligations as provided in Article 6, such Guaranteed Obligations (whether or not due and payable) shall forthwith become due and payable by such Note Guarantor for the purposes of this Section 11.01.

(j) Each Note Guarantor also agrees to pay any and all costs and expenses (including reasonable attorneys' fees and expenses) incurred by the Trustee or any Holder in enforcing any rights under this Section 11.01.

(k) Upon request of the Trustee, each Note Guarantor shall execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

SECTION 11.02. Limitation on Liability. (a) Any term or provision of this Indenture to the contrary notwithstanding, the maximum aggregate amount of the Guaranteed Obligations guaranteed hereunder by any Note Guarantor shall not exceed the

maximum amount that can be hereby guaranteed without rendering this Indenture, as it relates to such Note Guarantor, void or voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

(b) A Note Guarantee as to any Note Guarantor that is a Subsidiary of the Company shall terminate and be of no further force or effect and such Note Guarantor shall be deemed to be released from all obligations under this Article 11 upon (i)(A) the merger or consolidation of such Note Guarantor with or into any Person other than the Company or a Subsidiary or Affiliate of the Company where such Note Guarantor is not the surviving entity of such consolidation or merger or (B) the sale by the Company or any Subsidiary of the Company (or any pledgee of the Company) of the Equity Interests of such Note Guarantor (or by any other Person as a result of a foreclosure of any lien on such Equity Interests securing Senior Indebtedness), where, after such sale, such Note Guarantor is no longer a Subsidiary of the Company; provided, however, that each such merger, consolidation or sale (or, in the case of a sale by such a pledgee, the disposition of the proceeds of such sale actually received by the Company or any of its Subsidiaries) shall comply with Section 4.06 and Section 5.01(b) and (ii) such Note Guarantor being released from its Guarantee of, and all pledges and security interests granted in connection with, the Credit Agreement and any other Indebtedness of the Company or any Subsidiary of the Company.

(c) In addition, a Note Guarantee of any Note Guarantor that is a Subsidiary of the Company shall terminate and be of no further force or effect and such Note Guarantor shall be deemed to be released from all obligations under this Article 11 upon the Issuer's designation of such Note

Guarantor as an Unrestricted Subsidiary, provided that such designation complies with the other applicable provisions of this Indenture.

At the written request of the Issuers, the Trustee shall execute and deliver an appropriate instrument evidencing such release (in the form provided by the Issuers).

SECTION 11.03. Successors and Assigns. This Article 11 shall be binding upon each Note Guarantor and its successors and assigns and shall inure to the benefit of the successors and assigns of the Trustee and the Holders and, in the event of any transfer or assignment of rights by any Holder or the Trustee, the rights and privileges conferred upon that party in this Indenture and in the Securities shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions of this Indenture.

SECTION 11.04. No Waiver. Neither a failure nor a delay on the part of either the Trustee or the Holders in exercising any right, power or privilege under this

Article 11 shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any right, power or privilege. The rights, remedies and benefits of the Trustee and the Holders herein expressly specified are cumulative and not exclusive of any other rights, remedies or benefits which either may have under this Article 11 at law, in equity, by statute or otherwise.

SECTION 11.05. Modification. No modification, amendment or waiver of any provision of this Article 11, nor the consent to any departure by any Note Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by the Trustee, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any Note Guarantor in any case shall entitle such Note Guarantor to any other or further notice or demand in the same, similar or other circumstances.

SECTION 11.06. Execution of Supplemental Indenture for Future Note Guarantors. Each Subsidiary which is required to become a Note Guarantor pursuant to Section 4.11 shall promptly execute and deliver to the Trustee a supplemental indenture in the form of Exhibit C hereto pursuant to which such Subsidiary shall become a Note Guarantor under this Article 11 and shall guarantee the Guaranteed Obligations. Concurrently with the execution and delivery of such supplemental indenture, the Company shall deliver to the Trustee an Opinion of Counsel and an Officers' Certificate to the effect that such supplemental indenture has been duly authorized, executed and delivered by such Subsidiary and that, subject to the application of bankruptcy, insolvency, moratorium, fraudulent conveyance or transfer and other similar laws relating to creditors' rights generally and to the principles of equity, whether considered in a proceeding at law or in equity, the Note Guarantee of such Note Guarantor is a valid and binding agreement of such Note Guarantor, enforceable against such Note Guarantor in accordance with its terms.

SECTION 11.07. Non-Impairment. The failure to endorse a Note Guarantee on any Security shall not affect or impair the validity thereof.

ARTICLE 12

Subordination of the Note Guarantees

SECTION 12.01. Agreement To Subordinate. Each Note Guarantor agrees, and each Holder by accepting a Security agrees, that the obligations of a Note Guarantor hereunder are subordinated in right of payment, to the extent and in the manner provided in this Article 12, to the prior payment in full of all Senior Indebtedness of such Note Guarantor and that the subordination is for the benefit of and enforceable by the holders of such Senior Indebtedness of such Note Guarantor. The obligations hereunder with respect to a Note Guarantor shall in all respects rank pari passu with all other Senior Subordinated Indebtedness of such Note Guarantor and shall rank senior to all existing and future Subordinated Obligations of such Note Guarantor; and only Indebtedness of such Note Guarantor that is Senior Indebtedness of such Note Guarantor shall rank senior to the obligations of such Note Guarantor in accordance with the provisions set forth herein.

SECTION 12.02. Liquidation, Dissolution, Bankruptcy. Upon any payment or distribution of the assets of a Note Guarantor to creditors upon a total or partial liquidation or a total or partial dissolution of such Note Guarantor or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to such Note Guarantor or its property:

(a) holders of Senior Indebtedness of such Note Guarantor shall be entitled to receive payment in full of such Senior Indebtedness before Holders shall be entitled to receive any payment pursuant to any Guaranteed Obligations from such Note Guarantor; and

(b) until the Senior Indebtedness of such Note Guarantor is paid in full, any payment or distribution to which Holders would be entitled but for this Article 12 shall be made to holders of such Senior Indebtedness as their respective interests may appear, except that Holders may receive Equity Interests and any debt securities that are subordinated to such Senior Indebtedness to at least the same extent as the Note Guarantees.

SECTION 12.03. Default on Designated Senior Indebtedness of a Note Guarantor. A Note Guarantor may not make any payment pursuant to any of the Guaranteed Obligations or repurchase, redeem or otherwise retire any Securities (collectively, "pay its Guarantee") if (a) any Designated Senior Indebtedness of such Note Guarantor is not paid when due or (b) any other default on Designated Senior Indebtedness of such Note Guarantor occurs and the maturity of such Designated Senior Indebtedness is accelerated in accordance with its terms unless, in either case, (i) the

default has been cured or waived and any such acceleration has been rescinded or (ii) such Designated Senior Indebtedness has been paid in full; provided, however, that such Note Guarantor may pay its Guarantee without regard to the foregoing if such Note Guarantor and a Trust Officer of the Trustee receive written notice approving such payment from the Representative of the holders of such Designated Senior Indebtedness with respect to which either of the events in clause (a) or (b) of this sentence has occurred and is continuing. During the continuance of any default (other than a default described in clause (a) or (b) of the preceding sentence) with respect to any Designated Senior Indebtedness of a Note Guarantor pursuant to which the maturity thereof may be

accelerated immediately without further notice (except such notice as may be required to effect such acceleration) or the expiration of any applicable grace periods, such Note Guarantor may not pay its Guarantee for a period (a "Guarantee Payment Blockage Period") commencing upon the receipt by a Trust Officer of the Trustee (with a copy to such Note Guarantor and the Issuers) of written notice, specified as a "notice of default" and describing with particularity the default under such Designated Senior Indebtedness (a "Guarantee Blockage Notice"), of such default from the Representative of the holders of the Designated Senior Indebtedness of such Note Guarantor specifying an election to effect a Guarantee Payment Blockage Period and ending 179 days thereafter (or earlier if such Guarantee Payment Blockage Period is terminated (a) by written notice to the Trustee (with a copy to such Note Guarantor and the Issuers) from the Person or Persons who gave such Guarantee Blockage Notice, (b) because such Designated Senior Indebtedness has been repaid in full or (c) because the default giving rise to such Guarantee Blockage Notice is no longer continuing). Notwithstanding the provisions described in the immediately preceding sentence (but subject to the provisions contained in the first sentence of this Section 12.03), unless the holders of such Designated Senior Indebtedness or the Representative of such holders shall have accelerated the maturity of such Designated Senior Indebtedness, such Note Guarantor may resume paying its Note Guarantee after the end of such Guarantee Payment Blockage Period, including any missed payments. Not more than one Guarantee Blockage Notice may be given with respect to a Note Guarantor in any consecutive 360-day period, irrespective of the number of defaults with respect to Designated Senior Indebtedness of such Note Guarantor during such period; provided, however, that if any Guarantee Blockage Notice within such 360-day period is given by or on behalf of any holders of Designated Senior Indebtedness of such Note Guarantor other than the Bank Indebtedness, the Representative of the Bank Indebtedness may give another Guarantee Blockage Notice within such period; provided further, however, that in no event may the total number of days during which any Guarantee Payment Blockage Period or Periods is in effect exceed 179 days in the aggregate during any 360 consecutive day period. For purposes of this Section 12.03, no default or event of default that existed or was continuing on the date of the commencement of any Guarantee Payment Blockage Period with respect to the Designated Senior Indebtedness initiating such Guarantee Payment Blockage Period shall be, or be made, the basis of the commencement of a subsequent Guarantee Payment

Blockage Period by the Representative of such Designated Senior Indebtedness, whether or not within a period of 360 consecutive days, unless such default or event of default shall have been cured or waived for a period of not less than 90 consecutive days.

SECTION 12.04. Demand for Payment; Five Business Day Delay in Payment of Designated Senior Indebtedness Outstanding. If payment of the Securities is accelerated because of an Event of Default and a demand for payment is made on a Note Guarantor pursuant to Article 11, the Trustee (provided that a Trust Officer of the Trustee shall have received written notice from the Issuers, such Note Guarantor or a Representative identifying such Designated Senior Indebtedness, on which notice the Trustee shall be entitled to conclusively rely) shall promptly notify the holders of the Designated Senior Indebtedness of such Note Guarantor (or the Representative of such holders) of such demand. If any Designated Senior Indebtedness of such Note Guarantor is outstanding, such Note Guarantor may not pay its Guarantee until five Business Days after such holders or the Representative of the holders of the Designated Senior Indebtedness of such Note Guarantor receive notice of such demand and, thereafter, may pay its Guarantee only if this Article 12 otherwise permits payment at that time.

SECTION 12.05. When Distribution Must Be Paid Over. If a payment or distribution is made to Holders that because of this Article 12 should not

have been made to them, the Holders who receive the payment or distribution shall hold such payment or distribution in trust for holders of the Senior Indebtedness of the relevant Note Guarantor and pay it over to them as their respective interests may appear.

SECTION 12.06. Subrogation. After all Senior Indebtedness of a Note Guarantor is paid in full and until the Securities are paid in full, Holders shall be subrogated to the rights of holders of Senior Indebtedness of such Note Guarantor to receive distributions applicable to Senior Indebtedness of such Note Guarantor. A distribution made under this Article 12 to holders of Senior Indebtedness of such Note Guarantor which otherwise would have been made to Holders is not, as between such Note Guarantor and Holders, a payment by such Note Guarantor on Senior Indebtedness of such Note Guarantor.

SECTION 12.07. Relative Rights. This Article 12 defines the relative rights of Holders and holders of Senior Indebtedness of a Note Guarantor. Nothing in this Indenture shall:

(a) impair, as between a Note Guarantor and Holders, the obligation of a Note Guarantor which is absolute and unconditional, to make payments with respect to the Guaranteed Obligations to the extent set forth in Article 11; or

(b) prevent the Trustee or any Holder from exercising its available remedies upon a default by a Note Guarantor under its obligations with respect to the Guaranteed Obligations, subject to the rights of holders of Senior Indebtedness of such Note Guarantor to receive distributions otherwise payable to Holders.

SECTION 12.08. Subordination May Not Be Impaired by a Note Guarantor. No right of any holder of Senior Indebtedness of a Note Guarantor to enforce the subordination of the obligations of such Note Guarantor hereunder shall be impaired by any act or failure to act by such Note Guarantor or by its failure to comply with this Indenture.

SECTION 12.09. Rights of Trustee and Paying Agent. Notwithstanding Section 12.03, the Trustee or the Paying Agent may continue to make payments on the Guaranteed Obligations and shall not be charged with knowledge of the existence of facts that would prohibit the making of any such payments unless, not less than two Business Days prior to the date of such payment, a Trust Officer of the Trustee receives written notice satisfactory to it that payments may not be made under this Article 12. A Note Guarantor, the Registrar or co-registrar, the Paying Agent, a Representative or a holder of Senior Indebtedness of a Note Guarantor may give the notice; provided, however, that if an issue of Senior Indebtedness of a Note Guarantor has a Representative, only the Representative may give the notice.

The Trustee in its individual or any other capacity may hold Senior Indebtedness of a Note Guarantor with the same rights it would have if it were not Trustee. The Registrar and co-registrar and the Paying Agent may do the same with like rights. The Trustee shall be entitled to all the rights set forth in this Article 12 with respect to any Senior Indebtedness of a Note Guarantor which may at any time be held by it, to the same extent as any other holder of Senior Indebtedness of such Note Guarantor; and nothing in Article 7 shall deprive the Trustee of any of its rights as such holder. Nothing in this Article 12 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 7.07 or any other Section of this Indenture.

SECTION 12.10. Distribution or Notice to Representative. Whenever a distribution is to be made or a notice given to holders of Senior Indebtedness of a Note Guarantor, the distribution may be made and the notice given to their Representative (if any).

SECTION 12.11. Article 12 Not To Prevent Events of Default or Limit Right To Accelerate. The failure of a Note Guarantor to make a payment on any of its Guaranteed Obligations by reason of any provision in this Article 12 shall not be construed as preventing the occurrence of a default by such Note Guarantor under such

obligations. Nothing in this Article 12 shall have any effect on the right of the Holders or the Trustee to make a demand for payment on a Note Guarantor pursuant to Article 11.

SECTION 12.12. Trustee Entitled To Rely. Upon any payment or distribution pursuant to this Article 12, the Trustee and the Holders shall be entitled to rely (a) upon any order or decree of a court of competent jurisdiction in which any proceedings of the nature referred to in Section 12.02 are pending, (b) upon a certificate of the liquidating trustee or agent or other Person making such payment or distribution to the Trustee or to the Holders or (c) upon the Representatives for the holders of Senior Indebtedness of a Note Guarantor for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of the Senior Indebtedness of a Note Guarantor and other Indebtedness of a Note Guarantor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 12. In the event that the Trustee determines, in good faith, that evidence is required with respect to the right of any Person as a holder of Senior Indebtedness of a Note Guarantor to participate in any payment or distribution pursuant to this Article 12, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness of such Note Guarantor held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and other facts pertinent to the rights of such Person under this Article 12, and, if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment. The provisions of Sections 7.01 and 7.02 shall be applicable to all actions or omissions of actions by the Trustee pursuant to this Article 12.

SECTION 12.13. Trustee To Effectuate Subordination. Each Holder by accepting a Security authorizes and directs the Trustee on his, her or its behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination between the Holders and the holders of Senior Indebtedness of each of the Note Guarantors as provided in this Article 12 and appoints the Trustee as attorney-in-fact for any and all such purposes.

SECTION 12.14. Trustee Not Fiduciary for Holders of Senior Indebtedness of a Note Guarantor. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness of a Note Guarantor and shall not be liable to any such holders if it shall mistakenly pay over or distribute to Holders or the relevant Note Guarantor or any other Person, money or assets to which any holders of Senior Indebtedness of such Note Guarantor shall be entitled by virtue of this Article 12 or otherwise.

SECTION 12.15. Reliance by Holders of Senior Indebtedness of a Note Guarantor on Subordination Provisions. Each Holder by accepting a Security

acknowledges and agrees that the foregoing subordination provisions are, and are intended to be, an inducement and a consideration to each holder of any

Senior Indebtedness of a Note Guarantor, whether such Senior Indebtedness was created or acquired before or after the issuance of the Securities, to acquire and continue to hold, or to continue to hold, such Senior Indebtedness and such holder of Senior Indebtedness shall be deemed conclusively to have relied on such subordination provisions in acquiring and continuing to hold, or in continuing to hold, such Senior Indebtedness.

SECTION 12.16. Defeasance. The terms of this Article 12 shall not apply to payments from money or the proceeds of U.S. Government Obligations held in trust by the Trustee for the payment of principal of and interest on the Securities pursuant to the provisions described in Section 8.03.

ARTICLE 13

Miscellaneous

SECTION 13.01. Trust Indenture Act Controls. If and to the extent that any provision of this Indenture limits, qualifies or conflicts with the duties imposed by, or with another provision (an "incorporated provision") included in this Indenture by operation of, TIA Sections 310 to 318, inclusive, such imposed duties or incorporated provision shall control.

SECTION 13.02. Notices. Any notice or communication shall be in writing and delivered in person or mailed by first-class mail addressed as follows:

if to either Issuer or DonJoy:

c/o DJ Orthopedics, LLC
2985 Scott Street
Vista, California 92083

Attention of:
Chief Financial Officer
(760) 734-0320

if to the Trustee:

The Bank of New York
101 Barclay Street, Floor 21 West
New York, New York 10286

Attention of:
Corporate Trust Administration
(212) 815-5763

The Issuers, DonJoy or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed to a Holder shall be mailed, first class mail, to the Holder at the Holder's address as it appears on the registration books of the Registrar and shall be sufficiently given if so mailed within the time prescribed.

Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

SECTION 13.03. Communication by Holders with Other Holders.

Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

SECTION 13.04. Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Issuers to the Trustee to take or refrain from taking any action under this Indenture, the Issuers shall furnish to the Trustee:

(a) an Officers' Certificate in form reasonably satisfactory to the Trustee stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(b) an Opinion of Counsel in form reasonably satisfactory to the Trustee stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

SECTION 13.05. Statements Required in Certificate or Opinion. Each certificate or opinion with respect to compliance with a covenant or condition provided for in this Indenture (other than pursuant to Section 4.09) shall include:

(a) a statement that the individual making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of such individual, such covenant or condition has been complied with.

SECTION 13.06. When Securities Disregarded. In determining whether the Holders of the required principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Issuers, any Note Guarantor or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuers or any Note Guarantor shall be disregarded and deemed not to be outstanding, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities which the Trustee knows are so owned shall be so disregarded. Subject to the foregoing, only Securities outstanding at the time shall be considered in any such determination.

SECTION 13.07. Rules by Trustee, Paying Agent and Registrar. The Trustee may make reasonable rules for action by or a meeting of Holders. The Registrar and the Paying Agent may make reasonable rules for their functions.

SECTION 13.08. Legal Holidays. A "Legal Holiday" is a Saturday, a Sunday or other day on which banking institutions are not required by law or regulation to be open in the State of New York. If a payment date is a Legal Holiday, payment shall be made on the next succeeding day that is not a Legal

Holiday, and no interest shall accrue for the intervening period. If a regular record date is a Legal Holiday, the record date shall not be affected.

SECTION 13.09. GOVERNING LAW. THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK BUT

WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

SECTION 13.10. No Recourse Against Others. A director, officer, employee or stockholder, as such, of the Issuers or any of the Note Guarantors, shall not have any liability for any obligations of the Issuers or any of the Note Guarantors under the Securities or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Holder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Securities.

SECTION 13.11. Successors. All agreements of the Issuers and each Note Guarantor in this Indenture and the Securities shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 13.12. Multiple Originals. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

SECTION 13.13. Table of Contents; Headings. The table of contents, cross-reference sheet and headings of the Articles and Sections of this Indenture have

been inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed as of the date first written above.

DJ ORTHOPEDICS, LLC,

by /s/ Leslie H. Cross

Name: Leslie H. Cross
Title: President and CEO

DJ ORTHOPEDICS CAPITAL CORPORATION,

by /s/ Leslie H. Cross

Name: Leslie H. Cross
Title: President and CEO

DONJOY, L.L.C.,

by /s/ Leslie H. Cross

Name: Leslie H. Cross
Title: President and CEO

THE BANK OF NEW YORK, as Trustee,

by /s/ Michele L. Russo

Name: Michele L. Russo
Title: Assistant Treasurer

APPENDIX A

PROVISIONS RELATING TO INITIAL SECURITIES,
PRIVATE EXCHANGE SECURITIES AND EXCHANGE SECURITIES

1. Definitions

1.1 Definitions

For the purposes of this Appendix A the following terms shall have the meanings indicated below:

"Applicable Procedures" means, with respect to any transfer or transaction involving a Regulation S Global Security or beneficial interest therein, the rules and procedures of the Depositary for such Global Security, Euroclear and Cedel, in each case to the extent applicable to such transaction and as in effect from time to time.

"Cedel" means Cedel Bank, S.A., or any successor securities clearing agency.

"Definitive Security" means a certificated Initial Security, Private Exchange Security or Exchange Security (bearing the Restricted Securities Legend if the transfer of such Security is restricted by applicable law) that does not include the Global Securities Legend.

"Depositary" means The Depository Trust Company, its nominees and their respective successors.

"Euroclear" means Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System or any successor securities clearing agency.

"Global Securities Legend" means the legend set forth under that caption in Exhibit A to this Indenture.

"IAI" means an institutional "accredited investor" as described in Rule 501(a)(1), (2), (3) or (7) under the Securities Act.

"Initial Purchaser" means Chase Securities Inc.

"Private Exchange" means an offer by the Company, pursuant to the Registration Agreement, to issue and deliver to certain Holders, in exchange for the

Initial Securities held by such Holders as part of their initial distribution, a like aggregate principal amount of Private Exchange Securities.

"Private Exchange Securities" means the Securities of the Company issued in exchange for Initial Securities pursuant to this Indenture in connection with the Private Exchange pursuant to the Registration Agreement.

"Purchase Agreement" means the Purchase Agreement dated June 17, 1999, among the Company, DJ Capital, DonJoy, and the Initial Purchaser.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Registered Exchange Offer" means the offer by the Issuers, pursuant to the Registration Agreement, to certain Holders of Initial Securities, to issue and deliver to such Holders, in exchange for their Initial Securities, a like aggregate principal amount of Exchange Securities registered under the Securities Act.

"Registration Agreement" means the Exchange and Registration Rights Agreement dated June 30, 1999, among the Company, DJ Capital, DonJoy and the Initial Purchaser.

"Regulation S" means Regulation S under the Securities Act.

"Regulation S Securities" means all Initial Securities offered and sold outside the United States in reliance on Regulation S.

"Restricted Period", with respect to any Securities, means the period of 40 consecutive days beginning on and including the later of (a) the day on which such Securities are first offered to persons other than distributors (as defined in Regulation S under the Securities Act) in reliance on Regulation S, notice of which day shall be promptly given by the Company to the Trustee, and (b) the Issue Date with respect to such Securities.

"Restricted Securities Legend" means the legend set forth in Section 2.3(e)(i) herein.

"Rule 501" means Rule 501(a)(1), (2), (3) or (7) under the Securities Act.

"Rule 144A" means Rule 144A under the Securities Act.

"Rule 144A Securities" means all Initial Securities offered and sold to QIBs in reliance on Rule 144A.

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

"Securities Custodian" means the custodian with respect to a Global Security (as appointed by the Depositary) or any successor person thereto, who shall initially be the Trustee.

"Shelf Registration Statement" means a registration statement filed by the Issuers and DonJoy in connection with the offer and sale of Initial Securities or Private Exchange Securities pursuant to the Registration Agreement.

"Transfer Restricted Securities" means Definitive Securities and any other Securities that bear or are required to bear the Restricted Securities Legend.

1.2 Other Definitions

<TABLE>

<CAPTION>

Term:	Defined in Section:
<S>	<C>
"Agent Members"	2.1(c)
"IAI Global Security"	2.1(b)
"Global Security"	2.1(b)
"Regulation S Global Security"	2.1(b)
"Rule 144A Global Security"	2.1(b)

</TABLE>

2. The Securities

2.1 Form and Dating

(a) The Initial Securities issued on the date hereof will be (i) offered and sold by the Issuers pursuant to the Purchase Agreement and (ii) resold, initially only to (1) QIBs in reliance on Rule 144A and (2) Persons other than U.S. Persons (as defined in Regulation S) in reliance on Regulation S. Such Initial Securities may thereafter be transferred to, among others, QIBs, purchasers in reliance on Regulation S and, except as set forth below, IAIs in accordance with Rule 501.

(b) Global Securities. Rule 144A Securities shall be issued initially in the form of one or more permanent global Securities in definitive, fully registered form (collectively, the "Rule 144A Global Security") and Regulation S Securities shall be issued initially in the form of one or more global Securities (collectively, the "Regulation S Global Security"), in each case without interest coupons and bearing the Global Securities Legend and Restricted Securities Legend, which shall be deposited on behalf of the purchasers of the Securities represented thereby with the Securities Custodian, and registered in the name of the Depositary or a nominee of the Depositary, duly executed by the Issuers and authenticated by the Trustee as provided in this Indenture. One or more global securities in

definitive, fully registered form without interest coupons and bearing the Global Securities Legend and the Restricted Securities Legend (collectively, the "IAI Global Security") shall also be issued on the Closing Date, deposited with the Securities Custodian, and registered in the name of the Depositary or a nominee of the Depositary, duly executed by the Issuers and authenticated by the Trustee as provided in this Indenture to accommodate transfers of beneficial interests in the Securities to IAIs subsequent to the initial distribution. The Rule 144A Global Security, the IAI Global Security and the Regulation S Global Security are each referred to herein as a "Global Security" and are collectively referred to herein as "Global Securities", provided, that the term "Global Security" when used in Sections 2.1(c), 2.3 (c)(iii), 2.3(f), 2.3(g)(i), 2.3(h)(i) and 2.4 shall also include any Security in global form issued in connection with a Registered Exchange Offer or Private Exchange. The aggregate principal amount of the Global Securities may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depositary or its nominee and on the schedules thereto as hereinafter provided.

(c) Book-Entry Provisions. This Section 2.1(c) shall apply only to a Global Security deposited with or on behalf of the Depositary.

The Issuers shall execute and the Trustee shall, in accordance with this Section 2.1(c) and Section 2.2 and pursuant to an order of the Issuers signed by one Officer, authenticate and deliver initially one or more Global Securities that (i) shall be registered in the name of the Depositary for such Global Security or Global Securities or the nominee of such Depositary and (ii) shall be delivered by the Trustee to such Depositary or pursuant to

such Depositary's instructions or held by the Trustee as Securities Custodian.

Members of, or participants in, the Depositary ("Agent Members") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depositary or by the Trustee as Securities Custodian or under such Global Security, and the Depositary may be treated by the Issuers, the Trustee and any agent of the Issuers or the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuers, the Trustee or any agent of the Issuers or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Agent Members, the operation of customary practices of such Depositary governing the exercise of the rights of a holder of a beneficial interest in any Global Security.

(d) Definitive Securities. Except as provided in Section 2.3 or 2.4, owners of beneficial interests in Global Securities will not be entitled to receive physical delivery of certificated Securities.

2.2 Authentication. The Trustee shall authenticate and make available for delivery upon a written order of the Issuers signed by one Officer (a) Initial Securities for original

issue on the date hereof in an aggregate principal amount of $100,000,000 and (b) the (i) Exchange Securities for issue only in a Registered Exchange Offer and (ii) Private Exchange Securities for issue only in the Private Exchange, in the case of each of (i) and (ii) pursuant to the Registration Agreement and for a like principal amount of Initial Securities exchanged pursuant thereto. Such order shall specify the amount of the Securities to be authenticated, the date on which the original issue of Securities is to be authenticated and whether the Securities are to be Initial Securities, Exchange Securities or Private Exchange Securities. The aggregate principal amount of Securities outstanding at any time may not exceed $100,000,000 except as provided in Sections 2.07 and 2.08 of this Indenture.

2.3 Transfer and Exchange. (a) Transfer and Exchange of Definitive Securities. When Definitive Securities are presented to the Registrar with a request:

(i) to register the transfer of such Definitive Securities; or

(ii) to exchange such Definitive Securities for an equal principal amount of Definitive Securities of other authorized denominations,

the Registrar shall register the transfer or make the exchange as requested if its reasonable requirements for such transaction are met; provided, however, that the Definitive Securities surrendered for transfer or exchange:

(1) shall be duly endorsed or accompanied by a written instrument of transfer in form reasonably satisfactory to the Issuers and the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing; and

(2) in the case of Definitive Securities which are Transfer Restricted Securities, are accompanied by the following additional information and documents, as applicable:

(A) if such Definitive Securities are being delivered to the Registrar by a Holder for registration in the name of such Holder, without transfer, a certification from such Holder to that effect (in the form set forth on the reverse side of the Initial Security or Private Exchange Security, as applicable); or

(B) if such Definitive Securities are being transferred to the Issuers, a certification to that effect (in the form set forth on the reverse side of the Initial Security or Private Exchange Security, as applicable); or

(C) if such Definitive Securities are being transferred pursuant to an exemption from registration in accordance with Rule 144 under the Securities

Act or in reliance upon another exemption from the registration requirements of the Securities Act, (x) a certification to that effect (in the form set forth on the reverse side of the Initial Security or Private Exchange Security, as applicable,), (y) an opinion of counsel or other evidence reasonably satisfactory to it as to the compliance with the restrictions set forth in the legend set forth in Section 2.3(e)(i) and (z) in the case of a transfer to an IAI, a signed letter substantially in the form of Exhibit D.

(b) Restrictions on Transfer of a Definitive Security for a Beneficial Interest in a Global Security. A Definitive Security may not be exchanged for a beneficial interest in a Global Security except upon satisfaction of the requirements set forth below. Upon receipt by the Trustee of a Definitive Security, duly endorsed or accompanied by a written instrument of transfer in form reasonably satisfactory to the Issuers and the Registrar, together with:

(i) certification (in the form set forth on the reverse side of the Initial Security or Private Exchange Security, as applicable) that such Definitive Security is being transferred (1) to a QIB in accordance with Rule 144A, (2) to an IAI that has furnished to the Trustee a signed letter substantially in the form of Exhibit D or (3) outside the United States in an offshore transaction within the meaning of Regulation S and in compliance with Rule 904 under the Securities Act, and in the case of clauses (2) and (3) an opinion of counsel or other evidence reasonably satisfactory to it as to the compliance with the restrictions set forth in the legend set forth in Section 2.3(e)(i); and

(ii) written instructions directing the Trustee to make, or to direct the Securities Custodian to make, an adjustment on its books and records with respect to such Global Security to reflect an increase in the aggregate principal amount of the Securities represented by the Global Security, such instructions to contain information regarding the Depositary account to be credited with such increase, then the Trustee shall cancel such Definitive Security and cause, or direct the Securities Custodian to cause, in accordance with the standing instructions and procedures existing between the Depositary and the Securities Custodian, the aggregate principal amount of Securities represented by the Global Security to be increased by the aggregate principal amount of the Definitive Security to be exchanged and shall credit or cause to be credited to the account of the Person specified in such instructions a beneficial interest in the Global Security equal to the principal amount of the Definitive Security so canceled. If no Global Securities are then outstanding and the Global Security has not been previously exchanged for certificated securities pursuant to Section 2.4, the Issuers shall issue and the Trustee shall authenticate, upon written order of the Issuers in the form of an Officers' Certificate, a new Global Security in the appropriate principal amount.

(c) Transfer and Exchange of Global Securities. (i) The transfer and exchange of Global Securities or beneficial interests therein shall be effected through the Depositary, in accordance with this Indenture (including applicable restrictions on transfer set forth herein, if any) and the procedures of the Depositary therefor. A transferor of a beneficial interest in a Global Security shall deliver a written order given in accordance with the Depositary's procedures containing information regarding the participant account of the Depositary to be credited with a beneficial interest in such Global Security or another Global Security and such account shall be credited in accordance with such order with a beneficial interest in the applicable Global Security and the account of the Person making the transfer shall be debited by an amount equal to the beneficial interest in the Global Security being transferred. Transfers by an owner of a beneficial interest in the Rule 144A Global Security or the IAI Global Security to a transferee who takes delivery of such interest through the Regulation S Global Security, whether before or after the expiration of the Restricted Period, shall be made only upon receipt by the Trustee of a certification (and an opinion of counsel or other evidence reasonably satisfactory to the Trustee as to the compliance with the restrictions set forth in the legend set forth in Section 2.3(e)(i)) in the form provided on the reverse of the Initial Securities or Private Exchange Securities, as the case may be, from the transferor to the effect that such transfer is being made in accordance with Regulation S or (if available) Rule 144 under the Securities Act and that, if such transfer is being made prior to the expiration of the Restricted Period, the interest transferred shall be held immediately thereafter through Euroclear or Cedel. In the case of a transfer of a beneficial interest in either the Regulation S Global Security or the Rule 144A Global Security for an interest in the IAI Global Security, the transferee must furnish a signed letter substantially in the form of Exhibit D to the Trustee and an opinion of counsel or other evidence reasonably satisfactory to the Trustee as to the compliance with the restrictions set forth in the legend set forth in Section 2.3(e)(i).

(ii) If the proposed transfer is a transfer of a beneficial interest in one Global Security to a beneficial interest in another Global Security, the Registrar shall reflect on its books and records the date and an increase in the principal amount of the Global Security to which such interest is being transferred in an amount equal to the principal amount of the interest to be so transferred, and the Registrar shall reflect on its books and records the date and a corresponding decrease in the principal amount of Global Security from which such interest is being transferred.

(iii) Notwithstanding any other provisions of this Appendix (other than the provisions set forth in Section 2.4), a Global Security may not be transferred as a whole except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary.

(iv) In the event that a Global Security is exchanged for Definitive Securities pursuant to Section 2.4 prior to the consummation of the Registered Exchange Offer or the effectiveness of the Shelf Registration Statement with respect to such Securities, such Securities may be exchanged only in accordance with such procedures as are substantially consistent with the provisions of this Section 2.3 (including the certification requirements set forth on the reverse of the Initial Securities intended to ensure that such transfers comply with Rule 144A, Regulation S or such other applicable exemption

from registration under the Securities Act, as the case may be) and such other procedures as may from time to time be adopted by the Issuers.

(d) Restrictions on Transfer of Regulation S Global Security. (i) Prior to the expiration of the Restricted Period, interests in the Regulation S Global Security may only be held through Euroclear or Cedel. During the Restricted Period, beneficial ownership interests in the Regulation S Global Security may only be sold, pledged or transferred through Euroclear or Cedel in accordance with the Applicable Procedures and only (1) to the Issuers, (2) so long as such security is eligible for resale pursuant to Rule 144A, to a person whom the selling holder reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the resale, pledge or transfer is being made in reliance on Rule 144A, (3) in an offshore transaction in accordance with Regulation S, (4) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if applicable) under the Securities Act, (5) to an IAI purchasing for its own account, or for the account of such an IAI, in a minimum principal amount of Securities of $250,000 or (6) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States. Prior to the expiration of the Restricted Period, transfers by an owner of a beneficial interest in the Regulation S Global Security to a transferee who takes delivery of such interest through the Rule 144A Global Security or the IAI Global Security shall be made only in accordance with Applicable Procedures and upon receipt by the Trustee of a written certification (and an appropriate opinion, if provided for in the legend on such Regulations S Global Security and requested by the Trustee) from the transferor of the beneficial interest in the form provided on the reverse of the Initial Security to the effect that such transfer is being made to (1) a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or (2) an IAI purchasing for its own account, or for the account of such an IAI, in a minimum principal amount of the Securities of $250,000. Such written certification shall no longer be required after the expiration of the Restricted Period. In the case of a transfer of a beneficial interest in the Regulation S Global Security for an interest in the IAI Global Security, the transferee must furnish a signed letter substantially in the form of Exhibit D to the Trustee.

(ii) Upon the expiration of the Restricted Period, beneficial ownership interests in the Regulation S Global Security shall be transferable in accordance with applicable law and the other terms of this Indenture.

(e) Legend.

(i) Except as permitted by the following paragraphs (ii), (iii) or (iv), each Security certificate evidencing the Global Securities and the Definitive Securities (and all Securities issued in exchange therefor or in substitution thereof) shall bear a legend in substantially the following form (each defined term in the legend being defined as such for purposes of the legend only):

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR

TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUERS OR ANY AFFILIATE OF THE ISSUERS WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUERS, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS AN INSTITUTIONAL ACCREDITED INVESTOR ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE

ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF $250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUERS' AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM."

Each Definitive Security shall bear the following additional legend:

"IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS."

(ii) Upon any sale or transfer of a Transfer Restricted Security that is a Definitive Security, the Registrar shall permit the Holder thereof to exchange such Transfer Restricted Security for a Definitive Security that does not bear the legends set forth above and rescind any restriction on the transfer of such Transfer Restricted Security if the Holder certifies in writing to the Registrar that its request for such exchange was made in reliance on Rule 144 (such certification to be in the form set forth on the reverse of the Initial Security, or Private Exchange Security, as applicable) and delivers an opinion of counsel or other evidence reasonably satisfactory to the Registrar as to the compliance with the restrictions set forth in the legend set forth in Section 2.3(e)(i).

(iii) After a transfer of any Initial Securities or Private Exchange Securities during the period of the effectiveness of a Shelf Registration Statement with respect to such Initial Securities or Private Exchange Securities, as the case may be, all requirements pertaining to the Restricted Securities Legend on such Initial Securities or such Private Exchange Securities shall cease to apply and the requirements that any such Initial Securities or such Private Exchange Securities be issued in global form shall continue to apply.

(iv) Upon the consummation of a Registered Exchange Offer

with respect to the Initial Securities pursuant to which Holders of such Initial Securities are offered Exchange Securities in exchange for their Initial Securities, all requirements

pertaining to Initial Securities that Initial Securities be issued in global form shall continue to apply, and Exchange Securities in global form without the Restricted Securities Legend shall be available to Holders that exchange such Initial Securities in such Registered Exchange Offer.

(v) Upon the consummation of a Private Exchange with respect to the Initial Securities pursuant to which Holders of such Initial Securities are offered Private Exchange Securities in exchange for their Initial Securities, all requirements pertaining to such Initial Securities that Initial Securities be issued in global form shall continue to apply, and Private Exchange Securities in global form with the Restricted Securities Legend shall be available to Holders that exchange such Initial Securities in such Private Exchange.

(vi) Upon a sale or transfer after the expiration of the Restricted Period of any Initial Security acquired pursuant to Regulation S, all requirements that such Initial Security bear the Restricted Securities Legend shall cease to apply and the requirements requiring any such Initial Security be issued in global form shall continue to apply.

(f) Cancelation or Adjustment of Global Security. At such time as all beneficial interests in a Global Security have either been exchanged for Definitive Securities, transferred, redeemed, repurchased or canceled, such Global Security shall be returned by the Depositary to the Trustee for cancelation or retained and canceled by the Trustee. At any time prior to such cancelation, if any beneficial interest in a Global Security is exchanged for Definitive Securities, transferred in exchange for an interest in another Global Security, redeemed, repurchased or canceled, the principal amount of Securities represented by such Global Security shall be reduced and an adjustment shall be made on the books and records of the Trustee (if it is then the Securities Custodian for such Global Security) with respect to such Global Security, by the Trustee or the Securities Custodian, to reflect such reduction.

(g) Obligations with Respect to Transfers and Exchanges of Securities.

(i) To permit registrations of transfers and exchanges, the Issuers shall execute and the Trustee shall authenticate, Definitive Securities and Global Securities at the Registrar's request.

(ii) No service charge shall be made for any registration of transfer or exchange, but the Issuers may require payment of a sum sufficient to cover any transfer tax, assessments, or similar governmental charge payable in connection therewith (other than any such transfer taxes, assessments or similar governmental charge payable upon exchanges to be registered in the name of the registered Holder

effecting the exchange pursuant to Sections 2.06, 3.06, 4.06, 4.08 and 9.05 of this Indenture).

(iii) Prior to the due presentation for registration of transfer of any Security, the Issuers, the Trustee, the Paying Agent or the Registrar may deem and treat the person in whose name a Security is registered as the absolute owner of such Security for the purpose of receiving payment of principal of and interest on such Security and for all other purposes whatsoever, whether or not such Security is overdue, and none of the Issuers, the Trustee, the Paying Agent or the Registrar shall be affected by notice to the contrary.

(iv) All Securities issued upon any transfer or exchange pursuant to the terms of this Indenture shall evidence the same debt and shall be entitled to the same benefits under this Indenture as the Securities surrendered upon such transfer or exchange.

(h) No Obligation of the Trustee or Issuers.

(i) Neither the Issuers nor the Trustee shall have no responsibility or obligation to any beneficial owner of a Global Security, a member of, or a participant in the Depositary or any other Person with respect to the accuracy of the records of the Depositary or its nominee or of any participant or member thereof, with respect to any ownership interest in the Securities or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depositary) of any notice (including any notice of redemption or repurchase) or the payment of any amount, under or with respect to such Securities. All notices and communications to be given to the Holders and all payments to be made to Holders under the Securities shall be given or made only to the registered Holders (which shall be the Depositary or its nominee in the case of a Global Security). The rights of beneficial owners in any Global Security shall be exercised only through the Depositary subject to the applicable rules and procedures of the Depositary. The Trustee may rely and shall be fully protected in relying upon information furnished by the Depositary with respect to its members, participants and any beneficial owners.

(ii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Security (including any transfers between or among Depositary participants, members or beneficial owners in any Global Security) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture, and to examine

the same to determine substantial compliance as to form with the express requirements hereof.

2.4 Definitive Securities

(a) A Global Security deposited with the Depositary or with the Trustee as Securities Custodian pursuant to Section 2.1 or issued in connection with a Registered Exchange Offer or Private Exchange shall be

transferred to the beneficial owners thereof in the form of Definitive Securities in an aggregate principal amount equal to the principal amount of such Global Security, in exchange for such Global Security, only if such transfer complies with Section 2.3 and (i) the Depositary notifies the Issuers that it is unwilling or unable to continue as a Depositary for such Global Security or if at any time the Depositary ceases to be a "clearing agency" registered under the Exchange Act, and a successor depositary is not appointed by the Issuers within 90 days of such notice or after the Issuers become aware of such cessation, or (ii) an Event of Default has occurred and is continuing or (iii) the Issuers, in their sole discretion, notify the Trustee in writing that they elect to cause the issuance of certificated Securities under this Indenture.

(b) Any Global Security that is transferable to the beneficial owners thereof pursuant to this Section 2.4 shall be surrendered by the Depositary to the Trustee, to be so transferred, in whole or from time to time in part, without charge, and the Trustee shall authenticate and deliver, upon such transfer of each portion of such Global Security, an equal aggregate principal amount of Definitive Securities of authorized denominations. Any portion of a Global Security transferred pursuant to this Section shall be executed, authenticated and delivered only in denominations of $1,000 and any integral multiple thereof and registered in such names as the Depositary shall direct. Any certificated Initial Security or Private Exchange Security in the form of a Definitive Security delivered in exchange for an interest in the Global Security shall, except as otherwise provided by Section 2.3(e), bear the Restricted Securities Legend.

(c) Subject to the provisions of Section 2.4(b), the registered Holder of a Global Security may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Securities.

(d) In the event of the occurrence of any of the events specified in Section 2.4(a)(i), (ii) or (iii), the Issuers will promptly make available to the Trustee a reasonable supply of Definitive Securities in fully registered form without interest coupons.

EXHIBIT A

[FORM OF FACE OF INITIAL SECURITY AND PRIVATE EXCHANGE SECURITY]

[Global Securities Legend]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO DTC, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

[Restricted Securities Legend]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION

HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUERS OR ANY AFFILIATE OF THE ISSUERS WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUERS, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES

ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS AN INSTITUTIONAL ACCREDITED INVESTOR ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF $250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUERS' AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM.

Each Definitive Security shall bear the following additional legend:

IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

No. $_____

12-_% Senior Subordinated Note due 2009

CUSIP No. _____
[ISIN No._]

DJ ORTHOPEDICS, LLC, a Delaware limited liability company, and DJ ORTHOPEDICS CAPITAL CORPORATION, a Delaware corporation, promise to pay to Cede & Co., or registered assigns, the principal sum [of Dollars] [listed on the Schedule of Increases or Decreases in Global Security attached hereto](1) on June 15, 2009.

Interest Payment Dates: June 15 and December 15.

Record Dates: June 1 and December 1.

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(1) Use the Schedule of Increases and Decreases language if the Note is in Global Form.

Additional provisions of this Security are set forth on the other side of this Security.

IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed.

DJ ORTHOPEDICS, LLC,

by

Name:
Title:

DJ ORTHOPEDICS CAPITAL CORPORATION,

by

Name:
Title:

Dated:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

THE BANK OF NEW YORK,

as Trustee, certifies that this is one of the Securities referred to in the Indenture.

By:

Authorized Signatory

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*/ If the Note is to be issued in global form, add the Global Notes Legend and the attachment from Exhibit A captioned "TO BE ATTACHED TO GLOBAL SECURITIES-SCHEDULE OF INCREASES OR DECREASES IN GLOBAL SECURITY".

[FORM OF REVERSE SIDE OF INITIAL SECURITY AND PRIVATE EXCHANGE SECURITY]

12-_% Senior Subordinated Note due 2009

1. Interest

(a) DJ ORTHOPEDICS, LLC a Delaware limited liability company (the "Company") and DJ ORTHOPEDICS CAPITAL CORPORATION, a Delaware corporation ("DJ Capital") (such entities, and their respective successors and assigns under the Indenture hereinafter referred to, being herein called the "Issuers"), promise to pay interest on the principal amount of this Security at the rate per annum shown above. The Issuers shall pay interest semiannually on June 15 and December 15 of each year. Interest on the Securities shall accrue from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from June 30, 1999 until the principal hereof

is due. Interest shall be computed on the basis of a 360-day year of twelve 30-day months. The Issuers shall pay interest on overdue principal at the rate borne by the Securities, and they shall pay interest on overdue installments of interest at the same rate to the extent lawful.

(b) Liquidated Damages. The holder of this Security is entitled to the benefits of an Exchange and Registration Rights Agreement, dated as of June 30, 1999, among the Company, DJ Capital, DonJoy, L.L.C. ("DonJoy") and the Initial Purchaser named therein (the "Registration Agreement"). Capitalized terms used in this paragraph (b) but not defined herein have the meanings assigned to them in the Registration Agreement. Subject to the terms of the Registration Agreement, if (i) the Shelf Registration Statement or Exchange Offer Registration Statement, as applicable under the Registration Agreement, is not filed with the Commission on or prior to the date specified in the Registration Agreement, (ii) the Exchange Offer Registration Statement or the Shelf Registration Statement, as the case may be, is not declared effective on or prior to the date specified in the Registration Agreement, (iii) the Registered Exchange Offer is not consummated on or prior to 225 days after the Issue Date (other than in the event the Issuers file a Shelf Registration Statement), or (iv) the Shelf Registration Statement is filed and declared effective on or prior to the date specified in the Registration Agreement but shall thereafter cease to be effective (at any time that the Issuers and DonJoy are obligated to maintain the effectiveness thereof) without being succeeded within 60 days by an additional Registration Statement filed and declared effective (each such event referred to in clauses (i) through (iv), a "Registration Default"), the Issuers and DonJoy, jointly and severally, shall pay liquidated damages to each holder of Transfer Restricted Securities (but not in respect of any Transfer Restricted Securities for any period after such securities cease to be Transfer Restricted Securities pursuant to clause (iii) of the definition thereof), during the period of such Registration Default, in an amount equal to $0.192 per week per $1,000 principal amount of the Securities constituting Transfer Restricted Securities held by such holder until the applicable Registration Statement is filed or declared effective, the Registered Exchange Offer is consummated or the Shelf Registration Statement again becomes effective, as the case may be. All accrued liquidated damages shall be paid to holders in the same manner as interest payments on the Securities on semi-annual payment dates which correspond to interest payment dates for the Securities. Following the cure of all Registration Defaults, the accrual of liquidated damages shall cease. The Trustee shall have no responsibility with respect to the determination of the amount of any such liquidated damages. For purposes of the foregoing, "Transfer Restricted Securities" means (i) each Initial Security until the date on which such Initial Security has been exchanged for a freely transferable Exchange Security in the Registered Exchange Offer (but not including Exchange Securities issued to an Exchanging Dealer in the Registered Exchange Offer), (ii) each Initial Security or Private Exchange Security until the date on which such Initial Security or Private Exchange Security has been effectively registered under the Securities Act and disposed of in accordance with a Shelf Registration Statement or (iii) each Initial Security or Private Exchange Security until the

date on which such Initial

Security or Private Exchange Security is distributed to the public pursuant to Rule 144 under the Securities Act or is saleable pursuant to Rule 144(k) under the Securities Act.

2. Method of Payment

The Issuers shall pay interest on the Securities (except defaulted interest) to the Persons who are registered holders of Securities at the close of business on the June 1 or December 1 next preceding the interest payment date even if Securities are canceled after the record date and on or before the interest payment date. Holders must surrender Securities to a Paying Agent to collect principal payments. The Issuers shall pay principal, premium, liquidated damages and interest in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. Payments in respect of the Securities represented by a Global Security (including principal, premium, liquidated damages and interest) shall be made by wire transfer of immediately available funds to the accounts specified by The Depository Trust Company. The Issuers will make all payments in respect of a certificated Security (including principal, premium and interest), by mailing a check to the registered address of each Holder thereof; provided, however, that payments on the Securities may also be made, in the case of a Holder of at least $1,000,000 aggregate principal amount of Securities, by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

3. Paying Agent and Registrar

Initially, The Bank of New York, a New York banking corporation (the "Trustee"), will act as Paying Agent and Registrar. The Issuers may appoint and change any Paying Agent, Registrar or co-registrar without notice. Either of the Issuers or any of their domestically incorporated Wholly Owned Subsidiaries may act as Paying Agent, Registrar or co-registrar.

4. Indenture

The Issuers issued the Securities under an Indenture dated as of June 30, 1999 (the "Indenture"), among the Company, DJ Capital, DonJoy and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbbb) as in effect on the date of the Indenture (the "TIA"). Terms defined in the Indenture and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all terms and provisions of the Indenture, and Holders (as defined in the Indenture) are referred to the Indenture and the TIA for a statement of such terms and provisions.

The Securities are senior subordinated unsecured obligations of the Issuers limited to $100,000,000 aggregate principal amount at any one time outstanding (subject to Section 2.07 of the Indenture). This Security is one of the [Initial Securities/Private Exchange Securities] referred to in the Indenture issued in an aggregate principal amount of $100,000,000. The Securities include the Initial Securities and any Exchange Securities and

Private Exchange Securities issued in exchange for Initial Securities. The Initial Securities, the Exchange Securities and the Private Exchange Securities are treated as a single class of securities under the Indenture. The Indenture imposes certain limitations on the ability of the Issuers and their Restricted Subsidiaries to, among other things, make certain Investments and other Restricted Payments, pay dividends and other distributions, incur Indebtedness, enter into consensual restrictions upon the payment of certain dividends and distributions by such Restricted Subsidiaries, enter into or permit certain transactions with Affiliates and make asset sales. The Indenture also imposes limitations on the ability of the Issuers to consolidate or merge with or into any other Person or convey, transfer or lease all or substantially all of the property of the Issuers.

To guarantee the due and punctual payment of the principal and interest on the Securities and all other amounts payable by the Issuers under the Indenture and the Securities when and as the same shall be due and payable, whether at maturity, by acceleration or otherwise, according to the terms of the Securities and the Indenture, the Note Guarantors have jointly and severally unconditionally guaranteed the Guaranteed Obligations on a senior subordinated basis as and to the extent provided in the Indenture.

5. Optional Redemption

Except as set forth in the following paragraph, the Securities shall not be redeemable at the option of the Issuers prior to June 15, 2004. Thereafter, the Securities shall be redeemable at the option of the Issuers, in whole or in part, on not less than 30 nor more than 60 days prior notice, at the following redemption prices (expressed as percentages of principal amount), plus accrued and unpaid interest and liquidated damages (if any) to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on June 15 of the years set forth below:

<TABLE>
<CAPTION>

YEAR	REDEMPTION PRICE
<S>	<C>
2004	106.313%
2005	104.208%
2006	102.104%
2007 and thereafter	100.000%

</TABLE>

In addition, prior to June 15, 2002, the Issuers may on one or more occasions redeem up to a maximum of 35% of the original aggregate principal amount of the Securities with the Net Cash Proceeds of one or more Equity Offerings (i) by the Company or (ii) by DonJoy to the extent the Net Cash Proceeds thereof are contributed to the Company or used to purchase Equity Interests (other than Disqualified Equity Interests) of the Company from the Company, at a redemption price equal to 112.625% of the principal amount thereof, plus accrued and unpaid interest and liquidated damages thereon, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); provided, however, that after giving effect to any such redemption, at least 65% of the original aggregate principal amount of the Securities remains outstanding. Any such redemption shall be made within 90 days of such Equity Offering upon not less than 30 nor more than 60 days notice mailed to each holder of Securities being redeemed and otherwise in accordance with the

procedures set forth in the Indenture.

6. Sinking Fund

The Securities are not subject to any sinking fund.

7. Notice of Redemption

Notice of redemption will be mailed by first-class mail at least 30 days but not more than 60 days before the redemption date to each Holder of Securities to be redeemed at his or her registered address. Securities in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000. If money sufficient to pay the redemption price of and accrued and unpaid interest and liquidated damages, if any, on all Securities (or portions thereof) to be redeemed on the redemption date is deposited with the Paying Agent on or before the redemption date and certain other conditions are satisfied, on and after such date interest (and, if applicable, liquidated damages) ceases to accrue on such Securities (or such portions thereof) called for redemption.

8. Repurchase of Securities at the Option of Holders upon Change of Control

Upon a Change of Control, any Holder of Securities will have the right, subject to certain conditions specified in the Indenture, to cause the Issuers to repurchase all or any part of the Securities of such Holder at a purchase price equal to 101% of the principal amount of the Securities to be repurchased plus accrued and unpaid interest and liquidated damages, if any, to the date of repurchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date that is on or prior to the date of purchase) as provided in, and subject to the terms of, the Indenture.

In accordance with Section 4.06 of the Indenture, the Issuers will be required to offer to purchase Securities upon the occurrence of certain events.

9. Subordination

The Securities are subordinated to Senior Indebtedness, as defined in the Indenture. To the extent provided in the Indenture, Senior Indebtedness must be paid before the Securities may be paid. The Issuers and each Note Guarantor agree, and each Holder by accepting a Security agrees, to the subordination provisions contained in the Indenture and authorizes the Trustee to give it effect and appoints the Trustee as attorney-in-fact for such purpose.

10. Denominations; Transfer; Exchange

The Securities are in registered form without coupons in denominations of $1,000 and whole multiples of $1,000. A Holder may transfer or exchange Securities in accordance with, and subject to the restrictions on transfer and exchange set forth in, the Indenture. Upon any transfer or exchange, the Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or to transfer or exchange any Securities for a period of 15 days prior to a selection of Securities to be redeemed.

11. Persons Deemed Owners

Except as provided in paragraph 2 hereof, the registered Holder of this Security may be treated as the owner of it for all purposes.

12. Unclaimed Money

If money for the payment of principal or interest or liquidated damages (if any) remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Issuers at their written request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Issuers and not to the Trustee for payment.

13. Discharge and Defeasance

Subject to certain conditions, the Issuers at any time may terminate some of or all their obligations under the Securities and the Indenture if the Issuers deposit with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Securities to redemption or maturity, as the case may be.

14. Amendment, Waiver

Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Securities may be amended without prior notice to any Holder but with the written consent of the Holders of at least a majority in aggregate principal amount of the outstanding Securities and (ii) any default or compliance with any provisions of the Indenture may be waived with the written consent of the Holders of at least a majority in principal amount of the outstanding Securities. Subject to certain exceptions set forth in the Indenture, without the consent of any Holder of Securities, the Issuers and the Trustee may amend the Indenture or the Securities (i) to cure any ambiguity, omission, defect or inconsistency; (ii) to comply with Article 5 of the Indenture; (iii) to provide for uncertificated Securities in addition to or in place of certificated Securities; (iv) to add Note Guarantees with respect to the Securities; (v) to secure the Securities; (vi) to add additional covenants or to surrender rights and powers conferred on the Issuers; (vii) to comply with the requirements of the SEC in order to effect or maintain the qualification of the Indenture under the TIA; (viii) to make any change that does not materially and adversely affect the rights of any Securityholder; (ix) to make any change in the subordination provisions of the Indenture that would limit or terminate the benefits available to any holder of Senior Indebtedness of either of the Issuers or a Note Guarantor (or any representative thereof) under such subordination provisions; or (x) to provide for the issuance of the Exchange Securities or Private Exchange Securities.

15. Defaults and Remedies

If an Event of Default occurs (other than an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of either of the Issuers) and is continuing, the Trustee or the Holders of at least 25% in principal amount of the outstanding Securities may declare the principal of and accrued but unpaid interest on all the Securities to be due and payable. If an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of either of the Issuers occurs, the principal of and interest on all the Securities shall become immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. Under certain circumstances, the Holders of a majority in principal amount of the outstanding Securities may rescind any such acceleration with respect to the Securities and its consequences.

If an Event of Default occurs and is continuing, the Trustee shall be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee reasonable indemnity or security against any loss, liability or expense and certain other conditions are complied with. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Securities unless (i) such Holder has previously given the Trustee notice that an Event of Default is continuing, (ii) Holders of at least 25% in principal amount of the outstanding Securities have requested the Trustee in writing to pursue the remedy, (iii) such Holders have offered the Trustee reasonable security or indemnity against any loss, liability or expense, (iv) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity and (v) the Holders of a majority in principal amount of the outstanding Securities have not given the Trustee a direction inconsistent with such request within such 60-day period. Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Securities are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee shall be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

16. Trustee Dealings with the Issuers

Subject to certain limitations imposed by the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Issuers, a Note Guarantor or their Affiliates and may otherwise deal with the Issuers, a Note Guarantor or their Affiliates with the same rights it would have if it were not Trustee.

17. No Recourse Against Others

A director, officer, employee or stockholder, as such, of either Issuer or any Note Guarantor shall not have any liability for any obligations of the Issuers under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

18. Authentication

This Security shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Security.

19. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors

Act).

20. Governing Law

THIS SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK BUT WITH OUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

21. CUSIP and ISIN Numbers

The Issuers have caused CUSIP and ISIN numbers to be printed on the Securities and has directed the Trustee to use CUSIP and ISIN numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Securities or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

THE ISSUERS WILL FURNISH TO ANY HOLDER OF SECURITIES UPON WRITTEN REQUEST AND WITHOUT CHARGE TO THE HOLDER A COPY OF THE INDENTURE WHICH HAS IN IT THE TEXT OF THIS SECURITY.

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to

(Print or type assignee's name, address and zip code)

(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint agent to transfer this Security on the books of the Issuers. The agent may substitute another to act for him.

Date: _____ Your Signature: _____

Sign exactly as your name appears on the other side of this Security.

CERTIFICATE TO BE DELIVERED UPON EXCHANGE OR REGISTRATION OF TRANSFER RESTRICTED SECURITIES

This certificate relates to $_____ principal amount of Securities held in (check applicable space) ____ book-entry or _____ definitive form by the undersigned.

The undersigned (check one box below):

[ ] has requested the Trustee by written order to deliver in exchange for its beneficial interest in the Global Security held by the Depositary a Security or Securities in definitive, registered form of authorized denominations and in an aggregate principal amount equal to its beneficial interest in such Global Security (or the portion thereof

indicated above);

[ ] has requested the Trustee by written order to exchange or register the transfer of a Security or Securities.

In connection with any transfer of any of the Securities evidenced by this certificate the undersigned confirms that such Securities are being transferred in accordance with its terms:

CHECK ONE BOX BELOW

<TABLE>
<S> <C> <C>

(1) [ ] to the Issuers; or

(2) [ ] to the Registrar for registration in the name of the Holder, without transfer; or

(3) [ ] pursuant to an effective registration statement under the Securities Act of 1933; or

(4) [ ] inside the United States to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act of 1933) that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that such transfer is being made in reliance on Rule 144A, in each case pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or

(5) [ ] outside the United States in an offshore transaction within the meaning of Regulation S under the Securities Act in compliance with Rule 904 under the Securities Act of 1933 and such Security shall be held

</TABLE>

<TABLE>
<S> <C> <C>

immediately after the transfer through Euroclear and Cedel until the expiration of the Restricted Period (as defined in the Indenture); or

(6) [ ] to an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933) that has furnished to the Trustee a signed letter containing certain representations and agreements; or

(7) [ ] pursuant to another available exemption from registration provided by Rule 144 under the Securities Act of 1933.

</TABLE>

Unless one of the boxes is checked, the Trustee will refuse to register any of the Securities evidenced by this certificate in the name of any Person other than the registered holder thereof; provided, however, that if box (5), (6) or (7) is checked, the Trustee shall have received, prior to registering any such transfer of the Securities, the legal opinions, certifications and other information required by the Indenture to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements

of the Securities Act of 1933.

Your Signature

<TABLE>
<CAPTION>
Signature Guarantee:

<S> <C>
Date:

Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee

---
Signature of Signature Guarantee
</TABLE>

TO BE COMPLETED BY PURCHASER IF (4) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Issuers as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated:

NOTICE: To be executed by an executive officer

[TO BE ATTACHED TO GLOBAL SECURITIES]

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL SECURITY

The initial principal amount of this Global Security is $[ ]. The following increases or decreases in this Global Security have been made:

<TABLE>
<S> <C> <C> <C> <C>
Date of Exchange
Amount of decrease in Principal Amount of this Global Security
Amount of increase in Principal Amount of this Global Security
Principal amount of this Global Security following such decrease or increase
Signature of authorized signatory of Trustee or Securities Custodian

</TABLE>

OPTION OF HOLDER TO ELECT PURCHASE

IF YOU WANT TO ELECT TO HAVE THIS SECURITY PURCHASED BY THE ISSUERS PURSUANT TO SECTION 4.06 (ASSET DISPOSITION) OR 4.08 (CHANGE OF CONTROL) OF THE INDENTURE, CHECK THE BOX:

ASSET DISPOSITION [ ] CHANGE OF CONTROL [ ]

IF YOU WANT TO ELECT TO HAVE ONLY PART OF THIS SECURITY PURCHASED BY THE ISSUERS PURSUANT TO SECTION 4.06 OR 4.08 OF THE INDENTURE, STATE THE AMOUNT ($1,000 OR AN INTEGRAL MULTIPLE THEREOF):

$

DATE: _____ YOUR SIGNATURE: _____
(SIGN EXACTLY AS YOUR NAME APPEARS ON THE OTHER SIDE OF THE SECURITY)

SIGNATURE GUARANTEE:_____
SIGNATURE MUST BE GUARANTEED BY A PARTICIPANT IN A RECOGNIZED SIGNATURE GUARANTY MEDALLION PROGRAM OR OTHER SIGNATURE GUARANTOR ACCEPTABLE TO THE TRUSTEE

EXHIBIT B

[FORM OF FACE OF EXCHANGE SECURITY]

[Global Securities Legend]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO DTC, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

No. $_____

12-_% Senior Subordinated Note due 2009

CUSIP No. _____
[ISIN No._]

DJ ORTHOPEDICS, LLC, a Delaware limited liability company, and DJ ORTHOPEDICS CAPITAL CORPORATION, a Delaware corporation, promise to pay to Cede & Co., or registered assigns, the principal sum [of Dollars] [listed on the Schedule of Increases or Decreases in Global Security attached hereto](2) on June 15, 2009.

Interest Payment Dates: June 15 and December 15.

Record Dates: June 1 and December 1.

---

(2) Use the Schedule of Increases and Decreases language if Note is in Global Form.

Additional provisions of this Security are set forth on the other side of this Security.

IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed.

DJ ORTHOPEDICS, LLC,

by

Name:
Title:

DJ ORTHOPEDICS CAPITAL CORPORATION,

by

Name:
Title:

Dated:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

THE BANK OF NEW YORK,

as Trustee, certifies that this is one of the Securities referred to in the Indenture.

by

Authorized Signatory

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*/ If the Security is to be issued in global form, add the Global Securities Legend and the attachment from Exhibit A captioned "TO BE ATTACHED TO GLOBAL SECURITIES - SCHEDULE OF INCREASES OR DECREASES IN GLOBAL SECURITY".

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[FORM OF REVERSE SIDE OF EXCHANGE SECURITY]

12-_% Senior Subordinated Note due 2009

1. Interest.

DJ ORTHOPEDICS, LLC, a Delaware limited liability company (the "Company"), and DJ ORTHOPEDICS CAPITAL CORPORATION, a Delaware corporation ("DJ Capital") (such entities, and their respective successors and assigns under the Indenture hereinafter referred to, being herein called the "Issuers"), promises to pay interest on the principal amount of this Security at the rate per annum shown above. The Issuers shall pay interest semiannually on June 15 and December 15 of each year. Interest on the Securities shall accrue from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from June 30, 1999 until the principal hereof is due. Interest shall be computed on the basis of a 360-day year of twelve 30-day months. The Issuers shall pay interest on overdue principal at the rate borne by the Securities, and they shall pay interest on overdue installments of interest at the same rate to the extent lawful.

2. Method of Payment

The Issuers shall pay interest on the Securities (except defaulted interest) to the Persons who are registered holders of Securities at the close of business on the June 1 or December 1 next preceding the interest payment date even if Securities are canceled after the record date and on or before the interest payment date. Holders must surrender Securities to a Paying Agent to collect principal payments. The Issuers shall pay principal, premium and interest in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. Payments in respect of the Securities represented by a Global Security (including principal, premium and interest) shall be made by wire transfer of immediately available funds to the accounts specified by The Depository Trust Company. The Issuers will make all payments in respect of a certificated Security (including principal, premium and interest), by mailing a check to the registered address of each Holder thereof; provided, however, that payments on the Securities may also be made, in the case of a Holder of at least $1,000,000 aggregate principal amount of Securities, by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

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3. Paying Agent and Registrar

Initially, The Bank of New York, a New York banking corporation (the "Trustee"), will act as Paying Agent and Registrar. The Issuers may appoint and change any Paying Agent, Registrar or co-registrar without notice. Either of the Issuers or any of their domestically incorporated Wholly Owned Subsidiaries may act as Paying Agent, Registrar or co-registrar.

4. Indenture

The Issuers issued the Securities under an Indenture dated as of June 30, 1999 (the "Indenture"), among the Company, DJ Capital, DonJoy and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbbb) as in effect on the date of the Indenture (the "TIA"). Terms defined in the Indenture and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all terms and provisions of the Indenture, and Holders (as defined in the Indenture) are referred to the Indenture and the TIA for a statement of such terms and provisions.

The Securities are senior subordinated unsecured obligations of the Issuers limited to $100,000,000 aggregate principal amount at any one time outstanding (subject to Section 2.07 of the Indenture), of which $100,000,000 in aggregate principal amount will be initially issued on the Closing Date. This Security is one of the Exchange Securities referred to in the Indenture. The Securities include the Initial Securities and any Exchange Securities and Private Exchange Securities issued in exchange for the Initial Securities pursuant to the Indenture. The Initial Securities, the Exchange Securities and the Private Exchange Securities are treated as a single class of securities under the Indenture. The Indenture imposes certain limitations on the ability of the Issuers and their Restricted Subsidiaries to, among other things, make certain Investments and other Restricted Payments, pay dividends and other distributions, incur Indebtedness, enter into consensual restrictions upon the payment of certain dividends and distributions by such Restricted Subsidiaries, enter into or permit certain transactions with Affiliates and make Asset Sales. The Indenture also imposes limitations on the ability of the Issuers to consolidate or merge with or into any other Person or convey, transfer or lease all or substantially all of the property of the Issuers.

To guarantee the due and punctual payment of the principal and interest, if any, on the Securities and all other amounts payable by the Issuers under the Indenture and the Securities when and as the same shall be due and payable, whether at maturity, by acceleration or otherwise, according to the terms of the Securities and the Indenture, the Note Guarantors have, jointly and severally, unconditionally guaranteed the Guaranteed Obligations on a senior basis subordinated as and to the extent provided in the Indenture.

5. Optional Redemption

Except as set forth in the following paragraph, the Securities shall not be redeemable at the option of the Issuers prior to June 15, 2004. Thereafter, the Securities shall be redeemable at the option of the Issuers, in whole or in part, on not less than 30 nor more than 60 days prior notice, at the following redemption prices (expressed as percentages of principal amount), plus accrued and unpaid interest and liquidated damages (if any) to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on June 15 of the years set forth below:

<TABLE>
<CAPTION>

REDEMPTION

YEAR	PRICE
2004	106.313%
2005	104.208%
2006	102.104%
2007 and thereafter	100.000%

In addition, prior to June 15, 2002, the Company may, on one or more occasions, redeem up to a maximum of 35% of the original aggregate principal amount of the Securities with the Net Cash Proceeds of one or more Equity Offerings (i) by the Company or (ii) by DonJoy to the extent the Net Cash Proceeds thereof are contributed to the Company or used to purchase Equity Interests (other than Disqualified Equity Interests) of the Company from the Company, at a redemption price equal to 112.625% of the principal amount thereof, plus accrued and unpaid interest and liquidated damages thereon, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); provided, however, that after giving effect to any such redemption, at least 65% of the original aggregate principal amount of the Securities remains outstanding. Any such redemption shall be made within 90 days of such Equity Offering upon not less than 30 nor more than 60 days notice mailed to each holder of Securities being redeemed and otherwise in accordance with the procedures set forth in the Indenture.

6. Sinking Fund

The Securities are not subject to any sinking fund.

7. Notice of Redemption

Notice of redemption will be mailed by first-class mail at least 30 days but not more than 60 days before the redemption date to each Holder of Securities to be redeemed at his or her registered address. Securities in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000. If money sufficient to pay the redemption price of and accrued and unpaid interest and liquidated damages, if any, on all Securities (or portions thereof) to be redeemed on the redemption date is deposited with the Paying Agent on or before the redemption date and certain other conditions are satisfied, on and after such date interest ceases to accrue on such Securities (or such portions thereof) called for redemption.

8. Repurchase of Securities at the Option of Holders upon Change of Control

Upon a Change of Control, any Holder of Securities will have the right, subject to certain conditions specified in the Indenture, to cause the Issuers to repurchase all or any part of the Securities of such Holder at a purchase price equal to [101%] of the principal amount of the Securities to be repurchased plus accrued and unpaid interest and liquidated damages, if any, to the date of repurchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date that is on or prior to the date of purchase) as provided in, and subject to the terms of, the Indenture.

In accordance with Section 4.06 of the Indenture, the Issuers will be required to offer to purchase Securities upon the occurrence of certain events.

9. Subordination

The Securities are subordinated to Senior Indebtedness, as

defined in the Indenture. To the extent provided in the Indenture, Senior Indebtedness must be paid before the Securities may be paid. The Issuers and each Note Guarantor agree, and each Holder by accepting a Security agrees, to the subordination provisions contained in the Indenture and authorizes the Trustee to give it effect and appoints the Trustee as attorney-in-fact for such purpose.

10. Denominations; Transfer; Exchange

The Securities are in registered form without coupons in denominations of $1,000 and whole multiples of $1,000. A Holder may transfer or exchange Securities in accordance with the Indenture. Upon any transfer or exchange, the Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or to transfer or exchange any Securities for a period of 15 days prior to a selection of Securities to be redeemed or 15 days before an interest payment date.

11. Persons Deemed Owners

Except as provided in paragraph 2 hereof, the registered Holder of this Security may be treated as the owner of it for all purposes.

12. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Issuers at their written request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Issuers and not to the Trustee for payment.

13. Discharge and Defeasance

Subject to certain conditions, the Issuers at any time may terminate some of or all their obligations under the Securities and the Indenture if the Issuers deposit with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Securities to redemption or maturity, as the case may be.

14. Amendment, Waiver

Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Securities may be amended without prior notice to any Holder but with the written consent of the Holders of at least a majority in aggregate principal amount of the outstanding Securities and (ii) any default or compliance with any of the provisions of the Indenture may be waived with the written consent of the Holders of at least a majority in principal amount of the outstanding Securities. Subject to certain exceptions set forth in the Indenture, without the consent of any Holder of Securities, the Issuers and the Trustee may amend the Indenture or the Securities (i) to cure any ambiguity, omission, defect or inconsistency; (ii) to comply with Article 5 of the Indenture; (iii) to provide for uncertificated Securities in addition to or in place of certificated Securities; (iv) to add Note Guarantees with respect to the Securities; (v) to secure the Securities; (vi) to add additional covenants or to surrender rights and powers conferred on the Issuers; (vii) to comply

with the requirements of the SEC in order to effect or maintain the qualification of the Indenture under the TIA; (viii) to make any change that does not materially and adversely affect the rights of any Holder; (ix) to make any change in the subordination provisions of the Indenture that would limit or terminate the benefits available to any holder of Senior Indebtedness of either of the Issuers or a Note Guarantor (or any representative thereof) under such subordination provisions; or (x) to provide for the issuance of the Exchange Securities or Private Exchange Securities.

15. Defaults and Remedies

If an Event of Default occurs (other than an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of either of the Issuers) and is continuing, the Trustee or the Holders of at least 25% in principal amount of the outstanding Securities may declare the principal of and accrued but unpaid interest on all the Securities to be due and payable. If an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of either of the Issuers occurs, the principal of and interest on all the Securities shall become immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. Under certain circumstances, the Holders of a majority in principal amount of the outstanding Securities may rescind any such acceleration with respect to the Securities and its consequences.

If an Event of Default occurs and is continuing, the Trustee shall be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee reasonable indemnity or security against any loss, liability or expense and certain other conditions are complied with. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Securities unless (i) such Holder has previously given the Trustee notice that an Event of Default is continuing, (ii) Holders of at least 25% in principal amount of the outstanding

Securities have requested the Trustee in writing to pursue the remedy, (iii) such Holders have offered the Trustee reasonable security or indemnity against any loss, liability or expense, (iv) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity and (v) the Holders of a majority in principal amount of the outstanding Securities have not given the Trustee a direction inconsistent with such request within such 60-day period. Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Securities are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee shall be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

16. Trustee Dealings with the Issuers

Subject to certain limitations imposed by the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Issuers, a Note Guarantor or their Affiliates and may otherwise deal with the Issuers, a Note Guarantor or their Affiliates with the same rights it would have if it were not Trustee.

17. No Recourse Against Others

A director, officer, employee or stockholder, as such, of either Issuer or any Note Guarantor shall not have any liability for any obligations of the Issuer under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

18. Authentication

This Security shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Security.

19. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

20. Governing Law

THIS SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK BUT WITH OUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

21. CUSIP and ISIN Numbers

The Issuers have caused CUSIP and ISIN numbers to be printed on the Securities and has directed the Trustee to use CUSIP and ISIN numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Securities or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

THE ISSUERS WILL FURNISH TO ANY HOLDER OF SECURITIES UPON WRITTEN REQUEST AND WITHOUT CHARGE TO THE HOLDER A COPY OF THE INDENTURE WHICH HAS IN IT THE TEXT OF THIS SECURITY.

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to

(Print or type assignee's name, address and zip code)

(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint agent to transfer this Security on the books of the Issuers. The agent may substitute another to act for him.

Date: Your Signature:
---------- ----------

Sign exactly as your name appears on the other side of this Security. Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee.

OPTION OF HOLDER TO ELECT PURCHASE

IF YOU WANT TO ELECT TO HAVE THIS SECURITY PURCHASED BY THE ISSUERS PURSUANT TO SECTION 4.06 (ASSET DISPOSITION) OR 4.08 (CHANGE OF CONTROL) OF THE INDENTURE, CHECK THE BOX:

ASSET DISPOSITION [ ] CHANGE OF CONTROL [ ]

IF YOU WANT TO ELECT TO HAVE ONLY PART OF THIS SECURITY PURCHASED BY THE ISSUERS PURSUANT TO SECTION 4.06 OR 4.08 OF THE INDENTURE, STATE THE AMOUNT ($1,000 OR AN INTEGRAL MULTIPLE THEREOF):

$

DATE: _____ YOUR SIGNATURE: _____
(SIGN EXACTLY AS YOUR NAME APPEARS ON THE OTHER SIDE OF THE SECURITY)

SIGNATURE GUARANTEE:_____
SIGNATURE MUST BE GUARANTEED BY A PARTICIPANT IN A RECOGNIZED SIGNATURE GUARANTY MEDALLION PROGRAM OR OTHER SIGNATURE GUARANTOR ACCEPTABLE TO THE TRUSTEE.

[TO BE ATTACHED TO GLOBAL SECURITIES]

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL SECURITY

The initial principal amount of this Global Security is $[ ]. The following increases or decreases in this Global Security have been made:

<TABLE>

<S>	<C>	<C>	<C>	<C>
Date of Exchange	Amount of decrease in Principal Amount of this Global Security	Amount of increase in Principal Amount of this Global Security	Principal amount of this Global Security following such decrease or increase	Signature of authorized signatory of Trustee or Securities Custodian

</TABLE>

EXHIBIT C

FORM OF SUPPLEMENTAL INDENTURE

SUPPLEMENTAL INDENTURE (this "Supplemental Indenture") dated as of , among [GUARANTOR] (the "New Guarantor"), a subsidiary of DJ ORTHOPEDICS, LLC (or its successor), a Delaware limited liability corporation (the "Company"), DonJoy, L.L.C., a Delaware limited liability company, [OTHER EXISTING GUARANTORS] and THE BANK OF NEW YORK, a New York banking corporation, as trustee under the indenture referred to below (the "Trustee").

W I T N E S S E T H :

WHEREAS the Company, DJ ORTHOPEDICS CAPITAL CORPORATION ("DJ Capital" and, together with the company, the "Issuers") and [OLD GUARANTORS] (the "Existing Guarantors") have heretofore executed and delivered to the Trustee an Indenture (the "Indenture") dated as of June [ ], 1999, providing for the issuance of an aggregate principal amount of up to $100,000,000 of [ ]% Senior Subordinated Notes due 2009 (the "Securities");

WHEREAS Section 4.11 of the Indenture provides that under certain circumstances the Issuers are required to cause the New Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Guarantor shall unconditionally guarantee all the Issuers' obligations under the Securities pursuant to a Note Guarantee on the terms and conditions set forth herein; and

WHEREAS pursuant to Section 9.01 of the Indenture, the Trustee, the Issuers and the Existing Guarantors are authorized to execute and deliver this Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Issuers, the Existing Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Securities as follows:

1. Agreement to Guarantee. The New Guarantor hereby agrees, jointly and severally with all the Existing Guarantors, to unconditionally guarantee the Issuers' obligations under the Securities on the terms and subject to the conditions set forth in Articles 11 and 12 of the Indenture and to be bound by all other applicable provisions of the Indenture and the Securities.

2. Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Securities heretofore or hereafter authenticated and delivered shall be bound hereby.

3. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

4. Trustee Makes No Representation. The Trustee makes no representation as to the validity or sufficiency of this Supplemental Indenture.

5. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. Effect of Headings. The Section headings herein are for convenience only and shall not effect the construction thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

[NEW GUARANTOR],

by

Name:
Title:

DJ ORTHOPEDICS, LLC,

by

Name:
Title:

DJ ORTHOPEDICS CAPITAL CORPORATION,

by

Name:
Title:

DONJOY, L.L.C.

by

Name:
Title:

[OTHER EXISTING GUARANTORS],

by

Name:
Title:

THE BANK OF NEW YORK, as Trustee,

by

Name:
Title:

EXHIBIT D

Form of
Transferee Letter of Representation

DJ Orthopedics, LLC
DJ Orthopedics Capital Corporation
In care of
DonJoy, L.L.C.
2985 Scott Street
Vista, California 92083

Ladies and Gentlemen:

This certificate is delivered to request a transfer of $[ ] principal amount of the 12_% Senior Subordinated Notes due 2009 (the "Securities") of DJ Orthopedics, LLC and DJ Orthopedics Capital Corporation (together, the "Issuers").

Upon transfer, the Securities would be registered in the name of the new beneficial owner as follows:

Name:

Address:

Taxpayer ID Number:

The undersigned represents and warrants to you that:

1. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended (the "Securities Act")), purchasing for our own account or for the account of such an institutional "accredited investor" at least $250,000 principal amount of the Securities, and we are acquiring the Securities not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act. We have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Securities, and we invest in or purchase securities similar to the Securities in the normal course of our business. We, and any accounts for which we are acting, are each able to bear the economic risk of our or its investment for an indefinite period of time, including a complete loss of the investment.

2. We understand that the Securities have not been registered under the Securities Act and, unless so registered, may not be sold except as permitted in the following sentence. We agree on our own behalf and on behalf of any investor account for which we are purchasing Securities to offer, sell or otherwise transfer such Securities prior to the date that is two years after the later of the date of original issue and the last date on which the Issuers or any affiliate of the Issuers was the owner of such Securities (or any predecessor thereto) (the "Resale Restriction Termination Date") only (a) to the Issuers, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) in a transaction complying with the requirements of Rule 144A under the Securities Act ("Rule 144A"), to a person we reasonably believe is a qualified institutional buyer under Rule 144A (a "QIB") that is purchasing for its own account or for the account of a QIB and to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) pursuant to offers and sales that occur outside the United States within the meaning of Regulation S under the Securities Act, (e) to an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act that is purchasing for its own account or for the account of such an institutional "accredited investor," in each case in a minimum principal amount of Securities of $250,000, or (f) pursuant to any

other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of our property or the property of such investor account or accounts be at all times within our or their control and in compliance with any applicable state securities laws. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. If any resale or other transfer of the Securities is proposed to be made pursuant to clause (e) above prior to the Resale Restriction Termination Date, the transferor shall deliver a letter from the transferee substantially in the form of this letter to the Issuers and the Trustee, which shall provide, among other things, that the transferee is an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act and that it is acquiring such Securities for investment purposes and not for distribution in violation of the Securities Act. Each purchaser acknowledges that the Issuers and the Trustee reserve the right prior to the offer, sale or other transfer prior to the Resale Restriction Termination Date of the Securities pursuant to clause (d), (e) or (f) above to require the delivery of an opinion of counsel, certifications or other information satisfactory to the Issuers and the Trustee.

TRANSFEREE: _____,

by: _____

Exhibit 4.3

EXECUTION COPY

DJ ORTHOPEDICS, LLC
DJ ORTHOPEDICS CAPITAL CORPORATION

$100,000,000

12 5/8% SENIOR SUBORDINATED NOTES DUE 2009

EXCHANGE AND REGISTRATION RIGHTS AGREEMENT

June 30, 1999

CHASE SECURITIES INC.
270 Park Avenue, 4th floor
New York, New York 10017

Ladies and Gentlemen:

DJ Orthopedics, LLC, a Delaware limited liability company (the "Company"), and DJ Orthopedics Capital Corporation ("DJ Capital", and together with the Company, the "Issuers"), propose to issue and sell to Chase Securities Inc. ("CSI" or the "Initial Purchaser"), upon the terms and subject to the conditions set forth in a purchase agreement dated June 17, 1999 (the "Purchase Agreement"), $100,000,000 aggregate principal amount of their 12 5/8% Senior Subordinated Notes due 2009 (the "Securities") to be guaranteed on a senior subordinated basis by DonJoy, L.L.C., a Delaware limited liability company and the direct parent of the Company ("DonJoy"). Capitalized terms used but not defined herein shall have the meanings given to such terms in the Purchase Agreement.

As an inducement to the Initial Purchaser to enter into the Purchase Agreement and in satisfaction of a condition to the obligations of the Initial Purchaser thereunder, the Issuers and DonJoy agree with the Initial Purchaser, for the benefit of the holders (including the Initial Purchaser and the Market-Maker (as defined herein)) of the Securities, the Exchange Securities (as defined herein) and the Private Exchange Securities (as defined herein) (collectively, the "Holders"), as follows:

1. Registered Exchange Offer. Unless the Registered Exchange Offer (as defined herein) is not permitted under applicable law or rules or regulations of the Commission, the Issuers and DonJoy shall (i) prepare and, not later than 75 days following the date of original issuance of the Securities (the "Issue Date"), file with the Commission a registration

statement (the "Exchange Offer Registration Statement") on an appropriate form under the Securities Act with respect to a proposed offer to the Holders of the Securities (the "Registered Exchange Offer") to issue and deliver to such Holders, in exchange for the Securities, a like aggregate principal amount of debt securities of the Issuers (the "Exchange Securities") that are identical in all material respects to the Securities, except for the transfer restrictions relating to the Securities, (ii) use their reasonable best efforts to cause the Exchange Offer Registration Statement to become effective under the Securities Act no later than 180 days after the Issue Date and the Registered Exchange Offer to be consummated no later than 225 days after the Issue Date and (iii) keep the Registered Exchange Offer open for not less than 30 days (or

longer, if required by applicable law) after the date on which notice of the Registered Exchange Offer is mailed to the Holders (such period being called the "Exchange Offer Registration Period"). The Exchange Securities will be issued under the Indenture or an indenture (the "Exchange Securities Indenture") among the Issuers, DonJoy and the Trustee or such other bank or trust company that is reasonably satisfactory to the Initial Purchaser, as trustee (the "Exchange Securities Trustee"), such indenture to be identical in all material respects to the Indenture, except for the transfer restrictions relating to the Securities (as described above). All references in this Agreement to "prospectus" shall, except where the context otherwise requires, include any prospectus (or amendment or supplement thereto) filed with the Commission pursuant to Section 6 of this Agreement.

Upon the effectiveness of the Exchange Offer Registration Statement, the Issuers shall promptly commence the Registered Exchange Offer, it being the objective of such Registered Exchange Offer to enable each Holder electing to exchange Securities for Exchange Securities (assuming that such Holder (a) is not an affiliate of the Issuers or an Exchanging Dealer (as defined herein) not complying with the requirements of the next sentence, (b) is not the Initial Purchaser holding Securities that have, or that are reasonably likely to have, the status of an unsold allotment in an initial distribution, (c) acquires the Exchange Securities in the ordinary course of such Holder's business and (d) has no arrangements or understandings with any person to participate in the distribution of the Exchange Securities) and to trade such Exchange Securities from and after their receipt without any limitations or restrictions under the Securities Act and without material restrictions under the securities laws of the several states of the United States. The Issuers, DonJoy, the Initial Purchaser and each Exchanging Dealer acknowledge that, pursuant to current interpretations by the Commission's staff of Section 5 of the Securities Act, each Holder that is a broker-dealer electing to exchange Securities, acquired for its own account as a result of market-making activities or other trading activities, for Exchange Securities (an "Exchanging Dealer"), is required to deliver a prospectus containing substantially the information set forth in Annex A hereto on the cover, in Annex B hereto in the "Exchange Offer Procedures" section and the "Purpose of

the Exchange Offer" section and in Annex C hereto in the "Plan of Distribution" section of such prospectus in connection with a sale of any such Exchange Securities received by such Exchanging Dealer pursuant to the Registered Exchange Offer.

If, prior to the consummation of the Registered Exchange Offer, any Holder shall notify the Company in writing that it holds any Securities acquired by it that have, or that are reasonably likely to be determined to have, the status of an unsold allotment in an initial distribution, or any Holder notifies the Company in writing that it believes that it is not entitled to participate in the Registered Exchange Offer (other than because it has an understanding or arrangement with any person to participate in the distribution of the Exchange Securities) and such Holder has not received a written opinion from counsel to the Issuers, reasonably acceptable to such Holder to the effect that such Holder is legally permitted to participate in the Registered Exchange Offer, the Issuers shall, upon the request of any such Holder, simultaneously with the delivery of the Exchange Securities in the Registered Exchange Offer, issue and deliver to any such Holder, in exchange for the Securities held by such Holder (the "Private Exchange"), a like aggregate principal amount of debt securities of the Issuers (the "Private Exchange Securities") that are identical in all material respects to the Exchange Securities, except for the transfer restrictions relating to such Private Exchange Securities. The Private Exchange Securities will be issued under the same indenture as the Exchange Securities, and the Issuers shall use their reasonable best efforts to cause the Private Exchange Securities to bear the same CUSIP number as the Exchange Securities.

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In connection with the Registered Exchange Offer, the Issuers shall:

(a) mail to each Holder a copy of the prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(b) keep the Registered Exchange Offer open for not less than 30 days (or longer, if required by applicable law) after the date on which notice of the Registered Exchange Offer is mailed to the Holders;

(c) utilize the services of a depositary for the Registered Exchange Offer with an address in the Borough of Manhattan, The City of New York;

(d) permit Holders to withdraw tendered Securities at any time prior to the close of business, New York City time, on the last business day on which the Registered Exchange Offer shall remain open; and

(e) otherwise comply in all respects with all laws that are applicable to the Registered Exchange Offer.

As soon as practicable after the close of the Registered Exchange Offer and any Private Exchange, as the case may be, the Issuers shall:

(a) accept for exchange all Securities tendered and not validly withdrawn pursuant to the Registered Exchange Offer and the Private Exchange;

(b) deliver to the Trustee for cancelation all Securities so accepted for exchange; and

(c) cause the Trustee or the Exchange Securities Trustee, as the case may be, promptly to authenticate and deliver to each Holder, Exchange Securities or Private Exchange Securities, as the case may be, equal in principal amount to the Securities of such Holder so accepted for exchange.

The Issuers and DonJoy shall use their reasonable best efforts to keep the Exchange Offer Registration Statement effective and to amend and supplement the prospectus contained therein in order to permit such prospectus to be used by all persons (including Exchanging Dealers) subject to the prospectus delivery requirements of the Securities Act for 180 days after the consummation of the Registered Exchange Offer (such 180 days, the "Applicable Period").

The Indenture or the Exchange Securities Indenture, as the case may be, shall provide that the Securities, the Exchange Securities and the Private Exchange Securities shall vote and consent together on all matters as one class and that none of the Securities, the Exchange Securities or the Private Exchange Securities will have the right to vote or consent as a separate class on any matter.

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Interest on each Exchange Security and Private Exchange Security issued pursuant to the Registered Exchange Offer and in the Private Exchange will accrue from the last interest payment date on which interest was paid on the Securities surrendered in exchange therefor or, if no interest has been paid on the Securities, from the Issue Date.

Each Holder participating in the Registered Exchange Offer shall be required to represent to the Issuers and DonJoy in writing (which may be contained in the applicable letter of transmittal) that at the time of the consummation of the Registered Exchange Offer (i) any Exchange Securities received by such Holder will be acquired in the ordinary course of business, (ii) such Holder will have no arrangements or understanding with any person to

participate in the distribution of the Securities or the Exchange Securities within the meaning of the Securities Act, (iii) such Holder is not an affiliate of the Issuers or, if it is such an affiliate, such Holder will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable and (iv) if such Holder is a broker-dealer, that it will deliver a prospectus in connection with any resale of such Exchange Securities.

Notwithstanding any other provisions hereof, the Issuers and DonJoy will ensure that (i) any Exchange Offer Registration Statement and any amendment thereto and any prospectus forming part thereof and any supplement thereto complies in all material respects with the Securities Act and the rules and regulations of the Commission thereunder, (ii) any Exchange Offer Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any prospectus forming part of any Exchange Offer Registration Statement, and any supplement to such prospectus, does not, as of the consummation of the Registered Exchange Offer, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

2. Shelf Registration. If (i) because of any change in law or applicable interpretations thereof by the Commission's staff the Issuers and DonJoy determine in good faith after consultation with counsel that they are not permitted to effect the Registered Exchange Offer as contemplated by Section 1 hereof, or (ii) any Securities validly tendered pursuant to the Registered Exchange Offer are not exchanged for Exchange Securities within 225 days after the Issue Date, or (iii) the Initial Purchaser so requests with respect to Securities or Private Exchange Securities not eligible to be exchanged for Exchange Securities in the Registered Exchange Offer and held by it following the consummation of the Registered Exchange Offer, or (iv) any applicable law or interpretations do not permit any Holder to participate in the Registered Exchange Offer, or (v) any Holder that participates in the Registered Exchange Offer notifies the Company in writing within 30 days following the consummation of the Registered Exchange Offer that such Holder may not resell the Exchange Securities acquired by it in the Registered Exchange Offer to the public without delivering a prospectus and the prospectus contained in the Exchange Offer Registration Statement is not legally available for such resales by such Holder, or (vi) the Issuers so elect, then the following provisions shall apply:

(a) The Issuers and DonJoy shall use their reasonable best efforts to file as promptly as practicable (but in no event more than 60 days after so required or requested

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pursuant to this Section 2; provided that in the case of any filing in response to clause (i), (iii) or (iv) of the preceding paragraph, the Issuers and DonJoy shall not be required to make any such filing earlier than 75 days following the Issue Date (the date of such filing, the "Shelf Filing Date")) with the Commission, and thereafter shall use their reasonable best efforts to cause to be declared effective on or prior to 105 days after the Shelf Filing Date (but, in the case of any filing in response to clause (i), (iii), (iv) or (vi) of the preceding paragraph, in no event earlier than the 180th day after the Issue Date), a shelf registration statement on an appropriate form under the Securities Act relating to the offer and sale of the Transfer Restricted Securities (as defined below) by the Holders thereof from time to time in accordance with the methods of distribution set forth in such registration statement (hereafter, a "Shelf Registration Statement" and, together with any Exchange Offer Registration Statement, a "Registration Statement").

(b) The Issuers and DonJoy shall use their reasonable best efforts to keep the Shelf Registration Statement continuously effective in order to permit the prospectus forming part thereof to be used by Holders of Transfer Restricted Securities for a period ending on the earlier of (i) two years from the Issue Date or such shorter period that will terminate when all the Transfer Restricted Securities covered by the Shelf Registration Statement have been sold pursuant thereto and (ii) the date on which the Securities become eligible for resale without volume restrictions pursuant to Rule 144 under the Securities Act (in any such case, such period being called the "Shelf Registration Period"). The Issuers and DonJoy shall be deemed not to have used their reasonable best efforts to keep the Shelf Registration Statement effective during the requisite period if any of them voluntarily take any action that would result in Holders of Transfer Restricted Securities covered thereby not being able to offer and sell such Transfer Restricted Securities during that period, unless (A) such action is required by applicable law or (B) such action was permitted by Section 2(c).

(c) Notwithstanding the provisions of Section 2(b) (but subject to the provisions of Section 3(b)), the Issuers and DonJoy may for valid business reasons, including without limitation, a potential acquisition, divestiture of assets or other material corporate transaction, issue a notice that the Shelf Registration Statement is no longer effective or the prospectus included therein is no longer usable for offers and sales of Transfer Restricted Securities and may issue any notice suspending use of the Shelf Registration Statement required under applicable securities laws to be issued. The provisions of this Section 2(c) shall also be applicable to the Exchange Offer Registration Statement during the Applicable Period; provided that the Applicable Period shall be extended for the number of days (which shall not exceed 60) that the use of the Exchange Offer Registration Statement is suspended.

(d) Notwithstanding any other provisions hereof, the Issuers and

DonJoy shall ensure that (i) any Shelf Registration Statement and any amendment thereto and any prospectus forming part thereof and any supplement thereto complies in all material respects with the Securities Act and the rules and regulations of the Commission thereunder, (ii) any Shelf Registration Statement and any amendment thereto (in either case, other than with respect to information included therein in reliance upon or in conformity with written information furnished to the Issuers by or on behalf of any

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Holder specifically for use therein (the "Holders' Information")) does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any prospectus forming part of any Shelf Registration Statement, and any supplement to such prospectus (in either case, other than with respect to Holders' Information), does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

3. Liquidated Damages. (a) The parties hereto agree that the Holders of Transfer Restricted Securities will suffer damages if the Issuers and DonJoy fail to fulfill their obligations under Section 1 or Section 2, as applicable, and that it would not be feasible to ascertain the extent of such damages. Accordingly, if (i) the applicable Registration Statement is not filed with the Commission on or prior to the date specified in this Agreement, (ii) the Exchange Offer Registration Statement or the Shelf Registration Statement, as the case may be, is not declared effective on or prior to the date specified in this Agreement, (iii) the Registered Exchange Offer is not consummated on or prior to 225 days after the Issue Date (other than in the event the Issuers are requested or required or elect to file a Shelf Registration Statement), or (iv) the Shelf Registration Statement is filed and declared effective on or prior to the date specified in this Agreement but shall thereafter cease to be effective (at any time that the Issuers and DonJoy are obligated to maintain the effectiveness thereof) without being succeeded within 60 days by an additional Registration Statement filed and declared effective (each such event referred to in clauses (i) through (iv), a "Registration Default"), the Issuers and DonJoy will be jointly and severally obligated to pay liquidated damages to each Holder of Transfer Restricted Securities (but not in respect of any Transfer Restricted Securities for any period after such securities cease to be Transfer Restricted Securities pursuant to clause (iii) of the definition thereof), during the period of one or more such Registration Defaults, in an amount equal to $ 0.192 per week per $1,000 principal amount of Transfer Restricted Securities held by such Holder until (i) the applicable Registration Statement is filed, (ii) the Exchange Offer Registration Statement is declared effective and the Registered Exchange Offer is consummated, (iii) the Shelf

Registration Statement is declared effective or (iv) the Shelf Registration Statement again becomes effective, as the case may be. Following the cure of all Registration Defaults, the accrual of liquidated damages will cease. As used herein, the term "Transfer Restricted Securities" means (i) each Security until the date on which such Security has been exchanged for a freely transferable Exchange Security in the Registered Exchange Offer (but not including Exchange Securities issued to an Exchanging Dealer in the Registered Exchange Offer), (ii) each Security or Private Exchange Security until the date on which it has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement or (iii) each Security or Private Exchange Security until the date on which it is distributed to the public pursuant to Rule 144 under the Securities Act or is saleable pursuant to Rule 144(k) under the Securities Act. Notwithstanding anything to the contrary in this Section 3(a), the Issuers shall not be required to pay liquidated damages to a Holder of Transfer Restricted Securities if such Holder failed to comply with its obligations to make the representations set forth in the second to last paragraph of Section 1 or failed to provide the information required to be provided by it, if any, pursuant to Section 4(n).

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(b) Notwithstanding the foregoing provisions of Section 3(a), the Issuers and DonJoy may for valid business reasons, including without limitation, a potential acquisition, divestiture of assets or other material corporate transaction, issue a notice that the Shelf Registration Statement is no longer effective or the prospectus included therein is no longer usable for offers and sales of Transfer Restricted Subsidiaries and may issue any notice suspending use of the Shelf Registration Statement required under applicable securities laws to be issued and, in the event that the aggregate number of days in any consecutive twelve-month period for which all such notices are issued and effective exceeds 60 days in the aggregate, then the Issuers and DonJoy will be jointly and severally obligated to pay liquidated damages to each Holder of Transfer Restricted Securities covered by the Shelf Registration Statement in an amount equal to $0.192 per week per $1,000 principal amount of Securities constituting Transfer Restricted Securities covered by the Shelf Registration Statement held by such Holder. Upon the Issuers and DonJoy declaring that the Shelf Registration Statement is useable after the period of time described in the preceding sentence, accrual of liquidated damages shall cease; provided, however, that if after any such cessation of the accrual of liquidated damages the Shelf Registration Statement again ceases to be useable beyond the period permitted above, liquidated damages will again accrue pursuant to the foregoing provisions.

(c) The Issuers shall notify the Trustee and the Paying Agent under the Indenture immediately upon the happening of each and every Registration Default. The Issuers and DonJoy shall pay the liquidated damages due on the Transfer Restricted Securities by depositing with the Paying Agent (which may not be the Issuers for these purposes), in trust, for the benefit of

the Holders thereof, prior to 10:00 a.m., New York City time, on the next interest payment date specified by the Indenture and the Securities, sums sufficient to pay the liquidated damages then due. The liquidated damages due shall be payable on each interest payment date specified by the Indenture and the Securities to the record holder entitled to receive the interest payment to be made on such date. Each obligation to pay liquidated damages shall be deemed to accrue from and including the date of the applicable Registration Default.

(d) The parties hereto agree that the liquidated damages provided for in this Section 3 constitute a reasonable estimate of and are intended to constitute the sole damages that will be suffered by Holders of Transfer Restricted Securities by reason of the failure of (i) the Shelf Registration Statement or the Exchange Offer Registration Statement to be filed, (ii) the Shelf Registration Statement to remain effective or (iii) the Exchange Offer Registration Statement to be declared effective and the Registered Exchange Offer to be consummated, in each case to the extent required by this Agreement.

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4. Registration Procedures. In connection with any Registration Statement, the following provisions shall apply:

(a) The Issuers shall (i) furnish to the Initial Purchaser, prior to the filing thereof with the Commission, a copy of the Exchange Offer Registration Statement and each amendment thereof and each supplement, if any, to the prospectus included therein and shall use its reasonable best efforts to reflect in each such document, when so filed with the Commission, such comments as the Initial Purchaser may reasonably propose; (ii) include information substantially as set forth in Annex A hereto on the cover, in Annex B hereto in the "Exchange Offer Procedures" section and the "Purpose of the Exchange Offer" section and in Annex C hereto in the "Plan of Distribution" section of the prospectus forming a part of the Exchange Offer Registration Statement, and include information substantially as set forth in Annex D hereto in the Letter of Transmittal delivered pursuant to the Registered Exchange Offer; and (iii) if requested by any Initial Purchaser, include the information required by Items 507 or 508 of Regulation S-K, as applicable, in the prospectus forming a part of the Exchange Offer Registration Statement.

(b) The Issuers shall advise the Initial Purchaser, each Exchanging Dealer and the Holders (if applicable) and, if requested by any such person, confirm such advice in writing (which advice pursuant to clauses (ii)-(v) hereof shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made):

(i) when any Registration Statement and any amendment

thereto has been filed with the Commission and when such Registration Statement or any post-effective amendment thereto has become effective;

(ii) of any request by the Commission for amendments or supplements to any Registration Statement or the prospectus included therein or for additional information;

(iii) of the issuance by the Commission of any stop order suspending the effectiveness of any Registration Statement or the initiation of any proceedings for that purpose;

(iv) of the receipt by the Issuers of any notification with respect to the suspension of the qualification of the Securities, the Exchange Securities or the Private Exchange Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and

(v) of the happening of any event that requires the making of any changes in any Registration Statement or the prospectus included therein in order that the statements therein are not misleading and do not omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

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(c) The Issuers and DonJoy will make every reasonable effort to obtain the withdrawal at the earliest possible time of any order suspending the effectiveness of any Registration Statement.

(d) The Issuers will furnish to each Holder of Transfer Restricted Securities included within the coverage of any Shelf Registration Statement, without charge, at least one conformed copy of such Shelf Registration Statement and any post-effective amendment thereto, including financial statements and schedules and, if any such Holder so requests in writing, all exhibits thereto (including those, if any, incorporated by reference).

(e) The Issuers will, during the Shelf Registration Period, promptly deliver to each Holder of Transfer Restricted Securities included within the coverage of any Shelf Registration Statement, without charge, as many copies of the prospectus (including each preliminary prospectus) included in such Shelf Registration Statement and any amendment or supplement thereto as such Holder may reasonably request; and the Issuers consent to the use of such prospectus or any amendment or supplement thereto by each of the selling Holders of Transfer Restricted Securities in connection with the offer and sale of

the Transfer Restricted Securities covered by such prospectus or any amendment or supplement thereto.

(f) The Issuers will furnish to the Initial Purchaser and each Exchanging Dealer, and to any other Holder who so requests, without charge, at least one conformed copy of the Exchange Offer Registration Statement and any post-effective amendment thereto, including financial statements and schedules and, if the Initial Purchaser or Exchanging Dealer or any such Holder so requests in writing, all exhibits thereto (including those, if any, incorporated by reference).

(g) The Issuers will, during the Exchange Offer Registration Period or the Shelf Registration Period, as applicable, promptly deliver to the Initial Purchaser, each Exchanging Dealer and such other persons that are required to deliver a prospectus following the Registered Exchange Offer, without charge, as many copies of the final prospectus included in the Exchange Offer Registration Statement or the Shelf Registration Statement and any amendment or supplement thereto as the Initial Purchaser, such Exchanging Dealer or other persons may reasonably request; and the Issuers and DonJoy consent to the use of such prospectus or any amendment or supplement thereto by the Initial Purchaser, such Exchanging Dealer or other persons, as applicable, as aforesaid.

(h) Prior to the effective date of any Registration Statement, the Issuers and DonJoy will use their reasonable best efforts to register or qualify, or cooperate with the Holders of Securities, Exchange Securities or Private Exchange Securities included therein and their respective counsel in connection with the registration or qualification of, such Securities, Exchange Securities or Private Exchange Securities for offer and sale under the securities or blue sky laws of such jurisdictions as any such Holder reasonably requests in writing and do any and all other acts or things necessary or advisable to enable the offer and sale in such jurisdictions of the Securities, Exchange Securities or

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Private Exchange Securities covered by such Registration Statement; provided that the Issuers and DonJoy will not be required to qualify generally to do business in any jurisdiction where they are not then so qualified or to take any action which would subject them to general service of process or to taxation in any such jurisdiction where they are not then so subject.

(i) The Issuers and DonJoy will cooperate with the Holders of Securities, Exchange Securities or Private Exchange Securities to facilitate the timely preparation and delivery of certificates

representing Securities, Exchange Securities or Private Exchange Securities to be sold pursuant to any Registration Statement free of any restrictive legends and in such denominations and registered in such names as the Holders thereof may request in writing prior to sales of Securities, Exchange Securities or Private Exchange Securities pursuant to such Registration Statement.

(j) If any event contemplated by Sections 2(c), 3(b) or 4(b)(ii) through (v) occurs during the period for which the Issuers and DonJoy are required to maintain an effective Registration Statement, the Issuers and DonJoy will, to the extent required after the end of the applicable periods referred to in Sections 2(c) and 3(b), promptly prepare and file with the Commission a post-effective amendment to the Registration Statement or a supplement to the related prospectus or file any other required document so that, as thereafter delivered to purchasers of the Securities, Exchange Securities or Private Exchange Securities from a Holder, the prospectus will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) Not later than the effective date of the applicable Registration Statement, the Issuers will provide a CUSIP number for the Securities, the Exchange Securities and the Private Exchange Securities, as the case may be, and provide the applicable trustee with printed certificates for the Securities, the Exchange Securities or the Private Exchange Securities, as the case may be, in a form eligible for deposit with The Depository Trust Company.

(l) The Issuers and DonJoy will comply with all applicable rules and regulations of the Commission and the Issuers and DonJoy will make generally available to their security holders as soon as practicable after the effective date of the applicable Registration Statement an earning statement of DonJoy satisfying the provisions of Section 11(a) of the Securities Act; provided that in no event shall such earning statement be delivered later than 45 days after the end of a 12-month period (or 90 days, if such period is a fiscal year) beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the applicable Registration Statement, which statement shall cover such 12-month period.

(m) The Issuers and DonJoy will cause the Indenture or the Exchange Securities Indenture, as the case may be, to be qualified under the Trust Indenture Act as required by applicable law in a timely manner.

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(n) The Issuers may require each Holder of Transfer Restricted Securities to be registered pursuant to any Shelf Registration Statement to furnish to the Issuers such information concerning the Holder and the distribution of such Transfer Restricted Securities as the Issuers may from time to time reasonably require for inclusion in such Shelf Registration Statement, and the Issuers may exclude from such registration the Transfer Restricted Securities of any Holder that fails to furnish such information within a reasonable time after receiving such request. Each Holder of Transfer Restricted Securities as to which a Shelf Registration Statement is being effected, by its participation in the Shelf Registration Statement, shall be deemed to agree to furnish the Issuers and DonJoy all information concerning such Holder required to be described in order to make the information previously furnished by such Holder to the Issuers and DonJoy not materially misleading.

(o) In the case of (A) a Shelf Registration Statement, each Holder of Transfer Restricted Securities to be registered pursuant thereto agrees by acquisition of such Transfer Restricted Securities that, and (B) the Exchange Offer Registration Statement during the Applicable Period only, each Holder of Exchange Securities subject to the prospectus delivery requirements of the Securities Act agrees that, upon receipt of any notice from the Issuers pursuant to Sections 2(c), 3(b) or 4(b)(ii) through (v), such Holder will discontinue disposition of such Transfer Restricted Securities or Exchange Securities, as applicable, until such Holder's receipt of copies of the supplemental or amended prospectus contemplated by Section 4(j) or until advised in writing (the "Advice") by the Issuers that the use of the applicable prospectus may be resumed. If the Issuers shall give any notice under Sections 2(c), 3(b) or 4(b)(ii) through (v) during the period that the Issuers are required to maintain an effective Registration Statement (the "Effectiveness Period"), such Effectiveness Period shall be extended by the number of days during such period from and including the date of the giving of such notice to and including the date when each seller of Transfer Restricted Securities or Exchange Securities, as applicable, covered by such Registration Statement shall have received (x) the copies of the supplemental or amended prospectus contemplated by Section 4(j) (if an amended or supplemental prospectus is required) or (y) the Advice (if no amended or supplemental prospectus is required).

(p) In the case of a Shelf Registration Statement, the Issuers and DonJoy shall enter into such customary agreements (including, if requested, an underwriting agreement in customary form) and take all such other action, if any, as Holders of a majority in aggregate principal amount of the Securities, Exchange Securities and Private Exchange Securities covered by the Shelf Registration Statement or the managing underwriters (if any) shall reasonably request in order to facilitate any disposition of Securities, Exchange Securities or Private Exchange Securities pursuant to such Shelf Registration Statement. Notwithstanding anything to the contrary contained in this Agreement, the Issuers and DonJoy shall not be required to engage in more than one underwritten offering pursuant to this Agreement.

(q) In the case of a Shelf Registration Statement, the Issuers shall (i) make reasonably available for inspection by a representative of, and Special Counsel (as defined below) acting for, Holders of a majority in aggregate principal amount of the

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Securities, Exchange Securities and Private Exchange Securities covered by the Shelf Registration Statement and any underwriter participating in any disposition of Securities, Exchange Securities or Private Exchange Securities pursuant to such Shelf Registration Statement, all relevant financial and other records, pertinent corporate documents and properties of the Issuers and their subsidiaries and (ii) use their reasonable best efforts to have its officers, directors, employees, accountants and counsel supply all relevant information reasonably requested by such representative, Special Counsel or any such underwriter (an "Inspector") in connection with such Shelf Registration Statement.

(r) In the case of a Shelf Registration Statement, the Issuers shall, if requested by Holders of a majority in aggregate principal amount of the Securities, Exchange Securities and Private Exchange Securities covered by the Shelf Registration Statement, their Special Counsel or the managing underwriters (if any) in connection with such Shelf Registration Statement, use its reasonable best efforts to cause (i) their counsel to deliver an opinion relating to the Shelf Registration Statement and the Securities, Exchange Securities or Private Exchange Securities, as applicable, in customary form, (ii) their officers to execute and deliver all customary documents and certificates requested by Holders of a majority in aggregate principal amount of the Securities, Exchange Securities and Private Exchange Securities being sold, their Special Counsel or the managing underwriters (if any) and (iii) their independent public accountants to provide a comfort letter or letters in customary form, subject to receipt of appropriate documentation as contemplated, and only if permitted, by Statement of Auditing Standards No. 72.

5. Registration Expenses. The Issuers and DonJoy will jointly and severally bear all expenses incurred in connection with the performance of its obligations under Sections 1, 2, 3 and 4 and the Issuers will reimburse the Initial Purchaser and the Holders for the reasonable fees and disbursements of one firm of attorneys (in addition to any local counsel) chosen by the Holders of a majority in aggregate principal amount of the Securities, the Exchange Securities and the Private Exchange Securities covered by each Registration Statement (the "Special Counsel") acting for the Initial Purchaser or Holders in connection therewith.

6. Market-Making. (a) For so long as any of the Securities, Exchange Securities or Private Exchange Securities are outstanding and Chase Securities Inc. (the "Market-Maker") or any of its affiliates (as defined in the rules and regulations of the Commission) owns any equity securities of the Issuers, DonJoy or any of their affiliates and proposes to make a market in the Securities, Exchange Securities or Private Exchange Securities as part of its business in the ordinary course, the following provisions shall apply for the sole benefit of the Market Maker:

(i) The Issuers and DonJoy shall (A) on the date that the Exchange Offer Registration Statement is filed with the Commission, file a registration statement (the "Market-Making Registration Statement") (which may be the Exchange Offer Registration Statement or the Shelf Registration Statement if permitted by the rules and regulations of the Commission) and use their best efforts to cause such Market-Making Registration Statement to be declared effective by the Commission on or prior to the consummation of the Exchange Offer; (B) periodically amend such Market-Making

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Registration Statement so that the information contained therein complies with the requirements of Section 10(a) under the Securities Act; (C) within 45 days following the end of each of DonJoy's fiscal quarters, file a supplement to the prospectus contained in the Market-Making Registration Statement that sets forth the financial results of DonJoy for such quarter; (D) amend the Market-Making Registration Statement or supplement the related prospectus when necessary to reflect any material changes in the information provided therein; and (E) amend the Market-Making Registration Statement when required to do so in order to comply with Section 10(a)(3) of the Securities Act; provided, however, that (1) prior to filing the Market-Making Registration Statement, any amendment thereto or any supplement to the related prospectus, the Issuers will furnish to the Market-Maker copies of all such documents proposed to be filed, which documents will be subject to the review of the Market-Maker and their counsel, (2) the Issuers and DonJoy will not file the Market-Making Registration Statement, any amendment thereto or any supplement to the related prospectus to which the Market-Maker and its counsel shall reasonably object unless the Issuers are advised by counsel that such Market-Making Registration Statement, amendment or supplement is required to be filed and (3) the Issuers will provide the Market-Maker and its counsel with copies of the Market-Making Registration Statement and each amendment and supplement filed.

(ii) The Issuers shall notify the Market-Maker and, if requested by the Market-Maker, confirm such advice in writing, (A) when any post-effective amendment to the Market-Making Registration Statement or

any amendment or supplement to the related prospectus has been filed, and, with respect to any post-effective amendment, when the same has become effective; (B) of any request by the Commission for any post-effective amendment to the Market-Making Registration Statement, any supplement or amendment to the related prospectus or for additional information; (C) the issuance by the Commission of any stop order suspending the effectiveness of the Market-Making Registration Statement or the initiation of any proceedings for that purpose; (D) of the receipt by the Issuers of any notification with respect to the suspension of the qualification of the Securities or Exchange Securities for sale in any jurisdiction or the initiation or threatening of any proceedings for such purpose; (E) of the happening of any event that makes any statement made in the Market-Making Registration Statement, the related prospectus or any amendment or supplement thereto untrue or that requires the making of any changes in the Market-Making Registration Statement, such prospectus or any amendment or supplement thereto, in order to make the statements therein not misleading; and (F) of any advice from a nationally recognized statistical rating organization that such organization has placed the Issuers under surveillance or review with negative implications or has determined to downgrade the rating of the Securities, Exchange Securities or Private Exchange Securities or any other debt obligation of the Issuers whether or not such downgrade shall have been publicly announced.

(iii) If any event contemplated by Section 6(a)(ii)(B) through (E) occurs during the period for which the Issuers and DonJoy are required to maintain an effective Market-Making Registration Statement, the Issuers and DonJoy shall promptly prepare and file with the Commission a post-effective amendment to the Market-Making Registration Statement or a supplement to the related prospectus or file any other

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required document so that the prospectus will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(iv) In the event of the issuance of any stop order suspending the effectiveness of the Market-Making Registration Statement or of any order suspending the qualification of the Securities, Exchange Securities or Private Exchange Securities for sale in any jurisdiction, the Issuers and DonJoy shall use promptly their reasonable best efforts to obtain its withdrawal.

(v) The Issuers shall furnish to the Market-Maker, without charge, (i) at least one conformed copy of the Market-Making Registration Statement and any post-effective amendment thereto; and

(ii) as many copies of the related prospectus and any amendment or supplement thereto as the Market-Maker may reasonably request.

(vi) The Issuers and DonJoy shall consent to the use of the prospectus contained in the Market-Making Registration Statement or any amendment or supplement thereto by the Market-Maker in connection its market making activities.

(vii) For so long as the Securities, Exchange Securities or Private Exchange Securities shall be outstanding, the Issuers shall furnish to the Market-Maker (A) as soon as practicable after the end of each of DonJoy's fiscal years, the number of copies reasonably requested by the Market-Maker of DonJoy's annual report for such year, (B) as soon as available, the number of copies reasonably requested by the Market-Maker of each report (including, without limitation, reports on Forms 10-K, 10-Q and 8-K) or definitive proxy statements of DonJoy filed under the Exchange Act or mailed to stockholders and (C) all public reports and all reports and financial statements furnished by DonJoy to the Nasdaq National Market System or any U.S. national securities exchange or quotation service upon which the Securities or Exchange Securities may be listed pursuant to requirements of or agreements with such exchange or quotation service or to the Commission pursuant to the Exchange Act or any rule or regulation of the Commission thereunder.

(viii) Notwithstanding the foregoing provisions of Section 6, the Issuers and DonJoy may for valid business reasons, including without limitation, a potential acquisition, divestiture of assets or other material corporate transaction, issue a notice that the Market-Making Registration Statement is no longer effective or the prospectus included therein is no longer usable for offers and sales of Securities, Exchange Securities or Private Exchange Securities and may issue any notice suspending use of the Market-Making Registration Statement required under applicable securities laws to be issued; provided that the use of the Market-Making Registration Statement shall not be suspending for more than 60 days in the aggregate in any consecutive 12 month period. The Market-Maker agrees that upon receipt of any notice from the Issuers pursuant to this Section 6(a)(viii), it will discontinue use of the Market-Making Registration Statement until receipt of copies of the supplemented or amended prospectus relating thereto or until advised in writing by the Issuers that the use of the Market-Making Registration Statement may be resumed.

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(b) In connection with the Market-Making Registration Statement, the Issuers shall (i) make reasonably available for inspection by a representative of, and counsel acting for, the Market-Maker all relevant financial and other records, pertinent corporate documents and properties of

the Issuers and their subsidiaries and (ii) use its reasonable best efforts to have its officers, directors, employees, accountants and counsel supply all relevant information reasonably requested by such representative or counsel or the Market-Maker.

(c) Prior to the effective date of the Market-Making Registration Statement, the Issuers and DonJoy will use their reasonable best efforts to register or qualify, or cooperate with the Market-Maker and its counsel in connection with the registration or qualification of, such Securities, Exchange Securities or Private Exchange Securities for offer and sale under the securities or blue sky laws of such jurisdictions as the Market-Maker reasonably requests in writing and do any and all other acts or things necessary or advisable to enable the offer and sale in such jurisdictions of the Securities, Exchange Securities or Private Exchange Securities covered by the Market-Making Registration Statement; provided that the Issuers and DonJoy will not be required to qualify generally to do business in any jurisdiction where they are not then so qualified or to take any action which would subject them to general service of process or to taxation in any such jurisdiction where they are not then so subject.

(d) The Issuers represent that the Market-Making Registration Statement, any post-effective amendments thereto, any amendments or supplements to the related prospectus and any documents filed by them under the Exchange Act will, when they become effective or are filed with the Commission, as the case may be, conform in all respects to the requirements of the Securities Act and the Exchange Act and the rules and regulations of the Commission thereunder and will not, as of the effective date of such Market-Making Registration Statement or post-effective amendments and as of the filing date of amendments or supplements to such prospectus or filings under the Exchange Act, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein in light of the circumstances under which they were made not misleading; provided that no representation or warranty is made as to information contained in or omitted from the Market-Making Registration Statement or the related prospectus in reliance upon and in conformity with written information furnished to the Issuers by the Market-Maker specifically for inclusion therein, which information the parties hereto agree will be limited to the statements concerning the Market-Making activities of the Market-Maker to be set forth on the cover page and in the "Plan of Distribution" section of the prospectus (the "Market-Maker's Information.")

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(e) At the time of effectiveness of the Market-Making Registration Statement and concurrently with each time the Market-Making Registration Statement or the related prospectus shall be amended or such prospectus shall be supplemented, the Issuers shall (if requested by the Market-Maker) furnish the Market-Maker and its counsel with a certificate of

its Chairman of the Board of Directors or President and Chief Financial Officer to the effect that:

(i) the Market-Making Registration Statement has been declared effective; (ii) in the case of an amendment or supplement, such amendment has become effective under the Securities Act as of the date and time specified in such certificate, if applicable; such amendment or supplement to the prospectus was filed with the Commission pursuant to the subparagraph of Rule 424(b) under the Securities Act specified in such certificate on the date specified therein; (iii) to the knowledge of such officers, no stop order suspending the effectiveness of the Market-Making Registration Statement has been issued and no proceeding for that purpose is pending or threatened by the Commission; (iv) such officers have carefully examined the Market-Making Registration Statement and the prospectus (and, in the case of an amendment or supplement, such amendment or supplement) and as of the date of such Market-Making Registration Statement, amendment or supplement, as applicable, the Market-Making Registration Statement and the prospectus, as amended or supplemented, if applicable, did not include any untrue statement of a material fact and did not omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

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(f) At the time of effectiveness of the Market-Making Registration Statement and concurrently with each time the Market-Making Registration Statement or the related prospectus shall be amended or such prospectus shall be supplemented, the Issuers shall (if requested by the Market-Maker) furnish the Market-Maker and its counsel with the written opinion of counsel for the Issuers satisfactory to the Market-Maker to the effect that:

(i) the Market-Making Registration Statement has been declared effective; (ii) in the case of an amendment or supplement, such amendment has become effective under the Securities Act as of the date and time specified in such opinion, if applicable; such amendment or supplement to the prospectus was filed with the Commission pursuant to the subparagraph of Rule 424(b) under the Securities Act specified in such opinion on the date specified therein; (iii) to the knowledge of such counsel, no stop order suspending the effectiveness of the Market-Making Registration Statement has been issued and no proceeding for that purpose is pending or threatened by the Commission; and (iv) such counsel has reviewed the Market-Making Registration Statement and the prospectus (and, in the case of an amendment or supplement, such amendment or supplement) and participated with officers of the Issuers and independent public accountants for the Issuers in the preparation of such Market-Making Registration Statement and prospectus (and, in the case of an amendment or supplement, such amendment or supplement) and

has no reason to believe that (except for the financial statements and other financial and statistical data contained therein as to which no belief is required) as of the date of such Market-Making Registration Statement, amendment or supplement, as applicable, the Market-Making Registration Statement and the prospectus, as amended or supplemented, if applicable, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(g) At the time of effectiveness of the Market-Making Registration Statement and concurrently with each time the Market-Making Registration Statement or the related prospectus shall be amended or such prospectus shall be supplemented to include audited annual financial information, the Issuers shall (if requested by the Market-Maker) furnish the Market-Maker and its counsel with a letter of Ernst & Young, LLP (or other independent public accountants for DonJoy or the Company of nationally recognized standing), in form satisfactory to the Market-Maker, addressed to the Market-Maker and dated the date of delivery of such letter, (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission and, (ii) in all other respects, substantially in the form of the letter delivered to the Initial Purchasers pursuant to Section 5(f) of the Purchase Agreement, with, in the case of an amendment or supplement to include audited financial information, such changes as may be necessary to reflect the amended or supplemented financial information.

(h) The Issuers and DonJoy, on the one hand, and the Market-Maker, on the other hand, hereby agree to indemnify each other, and, if applicable, contribute to the other, in accordance with Sections 7 and 8 of this Agreement.

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(i) The Issuers will comply with the provisions of this Section 6 at their own expense and will reimburse the Market-Maker for its expenses associated with this Section 6 (including reasonable fees of counsel).

(j) The agreements contained in this Section 6 and the representations, warranties and agreements contained in this Agreement shall survive all offers and sales of the Securities and Exchange Securities and shall remain in full force and effect, regardless of any termination or cancelation of this Agreement or any investigation made by or on behalf of any indemnified party.

(k) For purposes of this Section 6, any reference to the terms "amend", "amendment" or "supplement" with respect to the Market-Making Registration Statement or the prospectus contained therein shall be deemed to

refer to and include the filing under the Exchange Act of any document deemed to be incorporated therein by reference.

7. Indemnification. (a) In the event of a Shelf Registration Statement or in connection with any prospectus delivery pursuant to an Exchange Offer Registration Statement by the Initial Purchaser or Exchanging Dealer, as applicable, or in connection with any prospectus delivery by the Market-Maker, the Issuers and DonJoy shall jointly and severally indemnify and hold harmless each Holder (including, without limitation, the Initial Purchaser, the Market-Maker or such Exchanging Dealer), its affiliates, their respective officers, directors, employees, representatives and agents, and each person, if any, who controls such Holder within the meaning of the Securities Act or the Exchange Act (collectively referred to for purposes of this Section 7 and Section 8 as a Holder) from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, without limitation, any loss, claim, damage, liability or action relating to purchases and sales of Securities, Exchange Securities or Private Exchange Securities), to which that Holder may become subject, whether commenced or threatened, under the Securities Act, the Exchange Act, any other federal or state statutory law or regulation, at common law or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any such Registration Statement or Market-Making Registration Statement or any prospectus forming part thereof or in any amendment or supplement thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading or (iii) in the case of the Market-Maker, any material breach by the Issuers of the representations, warranties and agreements contained in Section 6, and shall reimburse each Holder promptly upon demand for any legal or other expenses reasonably incurred by that Holder in connection with investigating or defending or preparing to defend against or appearing as a third party witness in connection with any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Issuers and DonJoy shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, an untrue statement or alleged untrue statement in or omission or alleged omission from any of such documents in reliance upon and in conformity with any Holders' Information or Market-Maker's Information; and provided, further, that with respect to any such untrue statement in or omission from any related preliminary prospectus, the indemnity agreement contained in this Section 7(a) shall not inure to the benefit of any Holder from whom the person asserting any such loss, claim, damage, liability or action received

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Securities, Exchange Securities or Private Exchange Securities to the extent that such loss, claim, damage, liability or action of or with respect to such

Holder results from the fact that both (A) a copy of the final prospectus was not sent or given to such person at or prior to the written confirmation of the sale of such Securities, Exchange Securities or Private Exchange Securities to such person and (B) the untrue statement in or omission from the related preliminary prospectus was corrected in the final prospectus unless, in either case, such failure to deliver the final prospectus was a result of non-compliance by the Issuers with Section 4(d), 4(e), 4(f), 4(g) or 6(a)(vi), as applicable.

(b) In the event of a Shelf Registration Statement or in connection with any prospectus delivery by the Market-Maker, each Holder (including, if applicable, the Market-Maker) shall indemnify and hold harmless the Issuers, their affiliates, their respective officers, directors, employees, representatives and agents, and each person, if any, who controls the Issuers within the meaning of the Securities Act or the Exchange Act (collectively referred to for purposes of this Section 7(b) and Section 8 as the Company), from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Company may become subject, whether commenced or threatened, under the Securities Act, the Exchange Act, any other federal or state statutory law or regulation, at common law or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any such Registration Statement or Market-Making Registration Statement or any prospectus forming part thereof or in any amendment or supplement thereto or (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with any Holders' Information or Market-Maker's Information furnished to the Company by such Holder, and shall reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending or preparing to defend against or appearing as a third party witness in connection with any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that no such Holder shall be liable for any indemnity claims hereunder in excess of the amount of net proceeds received by such Holder from the sale of Securities, Exchange Securities or Private Exchange Securities pursuant to such Shelf Registration Statement or prospectus.

(c) Promptly after receipt by an indemnified party under this Section 7 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party pursuant to Section 7(a) or 7(b), notify the indemnifying party in writing of the claim or the commencement of that action; provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 7 except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided, further, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this

Section 7. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume

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the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 7 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than the reasonable costs of investigation; provided, however, that an indemnified party shall have the right to employ its own counsel in any such action, but the fees, expenses and other charges of such counsel for the indemnified party will be at the expense of such indemnified party unless (1) the employment of counsel by the indemnified party has been authorized in writing by the indemnifying party, (2) the indemnified party has reasonably concluded (based upon advice of counsel to the indemnified party) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party, (3) a conflict or potential conflict exists (based upon advice of counsel to the indemnified party) between the indemnified party and the indemnifying party (in which case the indemnifying party will not have the right to direct the defense of such action on behalf of the indemnified party) or (4) the indemnifying party has not in fact employed counsel reasonably satisfactory to the indemnified party to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees, disbursements and other charges of counsel will be at the expense of the indemnifying party or parties. It is understood that the indemnifying party or parties shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one separate firm of attorneys (in addition to any local counsel) at any one time for all such indemnified party or parties. Each indemnified party, as a condition of the indemnity agreements contained in Sections 7(a) and 7(b), shall use all reasonable efforts to cooperate with the indemnifying party in the defense of any such action or claim. No indemnifying party shall be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with its written consent or if there be a final judgment for the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party (which consent shall not be unreasonably withheld), effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless

such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

8. Contribution. If the indemnification provided for in Section 7 is unavailable or insufficient to hold harmless an indemnified party under Section 7(a) or 7(b), then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (a) in such proportion as shall be appropriate to reflect the relative benefits received by the Company from the initial offering and sale of the Securities, on the one hand, and by a Holder from receiving Securities, Exchange Securities or Private Exchange Securities, as applicable, registered under the Securities Act, on the other, or (b) if the allocation provided by clause (a) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (a) above but also the relative fault of the Company and DonJoy, on the one hand, and such Holder, on the other, with

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respect to the statements or omissions that resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to the Company and DonJoy or information supplied by the Company and DonJoy, on the one hand, or to any Holders* Information or Market-Maker's Information supplied by such Holder, on the other, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The parties hereto agree that it would not be just and equitable if contributions pursuant to this Section 8 were to be determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section 8 shall be deemed to include, for purposes of this Section 8, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending or preparing to defend any such action or claim. Notwithstanding the provisions of this Section 8, an indemnifying party that is a Holder of Securities, Exchange Securities or Private Exchange Securities shall not be required to contribute any amount in excess of the amount by which the total price at which the Securities, Exchange Securities or Private Exchange Securities sold by such indemnifying party to any purchaser exceeds the amount of any damages which such indemnifying party has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not

guilty of such fraudulent misrepresentation.

9. Rules 144 and 144A. The Issuers and DonJoy shall use their reasonable best efforts to file the reports required to be filed by them under the Securities Act and the Exchange Act in a timely manner and, if at any time the Issuers and DonJoy are not required to file such reports, they will, upon the written request of any Holder of Transfer Restricted Securities or the Market-Maker, make publicly available other information so long as necessary to permit sales of such Holder's or the Market-Maker's securities pursuant to Rules 144 and 144A. The Issuers and DonJoy covenant that they will take such further action as any Holder of Transfer Restricted Securities or the Market-Maker may reasonably request, all to the extent required from time to time to enable such Holder or the Market-Maker to sell Transfer Restricted Securities without registration under the Securities Act within the limitation of the exemptions provided by Rules 144 and 144A (including, without limitation, the requirements of Rule 144A(d)(4)). Upon the written request of any Holder of Transfer Restricted Securities, the Issuers and DonJoy shall deliver to such Holder or the Market-Maker a written statement as to whether they have complied with such requirements. Notwithstanding the foregoing, nothing in this Section 9 shall be deemed to require the Issuers to register any of their securities pursuant to the Exchange Act.

10. Underwritten Registrations. If any of the Transfer Restricted Securities covered by any Shelf Registration Statement are to be sold in an underwritten offering, the investment banker or investment bankers and manager or managers that will administer the offering will be selected by the Holders of a majority in aggregate principal amount of such Transfer Restricted Securities included in such offering, subject to the consent of the Issuers and

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DonJoy (which shall not be unreasonably withheld or delayed), and such Holders shall be responsible for all underwriting commissions and discounts in connection therewith.

No person may participate in any underwritten registration hereunder unless such person (i) agrees to sell such person's Transfer Restricted Securities on the basis reasonably provided in any underwriting arrangements approved by the persons entitled hereunder to approve such arrangements and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements.

11. Miscellaneous. (a) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Issuers have obtained the written consent of Holders of a majority in aggregate

principal amount of the Securities, the Exchange Securities and the Private Exchange Securities, taken as a single class (and, with respect to the provisions of Section 6, the written consent of the Market-Maker). Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders whose Securities, Exchange Securities or Private Exchange Securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect the rights of other Holders may be given by Holders of a majority in aggregate principal amount of the Securities, the Exchange Securities and the Private Exchange Securities being sold by such Holders pursuant to such Registration Statement whose rights are so affected.

(b) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail, telecopier or air courier guaranteeing next-day delivery:

(1) if to a Holder, at the most current address given by such Holder to the Issuers in accordance with the provisions of this Section 11(b), which address initially is, with respect to each Holder, the address of such Holder maintained by the registrar under the Indenture, with a copy in like manner to Chase Securities Inc.;

(2) if to the Initial Purchaser or the Market-Maker, initially at its address set forth in the Purchase Agreement; and

(3) if to the Issuers or DonJoy, initially at the address of the Company set forth in the Purchase Agreement.

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; one business day after being delivered to a next-day air courier; five business days after being deposited in the mail; and when receipt is acknowledged by the recipient's telecopier machine, if sent by telecopier.

(c) Successors And Assigns. This Agreement shall be binding upon the Issuers and their successors and assigns.

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(d) Counterparts. This Agreement may be executed in any number of counterparts (which may be delivered in original form or by telecopier) and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(e) Definition of Terms. For purposes of this Agreement, (a) the term "business day" means any day on which the New York Stock Exchange, Inc. is open for trading, (b) the term "subsidiary" has the meaning set forth in Rule

405 under the Securities Act and (c) except where otherwise expressly provided, the term "affiliate" has the meaning set forth in Rule 405 under the Securities Act.

(f) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(g) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(h) Remedies. In the event of a breach by the Issuers, DonJoy or by any Holder of any of their obligations under this Agreement, each Holder, the Issuers or DonJoy, as the case may be, in addition to being entitled to exercise all rights granted by law, including recovery of damages (other than the recovery of damages for a breach by the Issuers or DonJoy of their obligations under Sections 1 or 2 hereof for which liquidated damages have been paid pursuant to Section 3 hereof), will be entitled to specific performance of its rights under this Agreement. The Issuers, DonJoy and each Holder agree that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by each such person of any of the provisions of this Agreement and hereby further agree that, in the event of any action for specific performance in respect of such breach, each such person shall waive the defense that a remedy at law would be adequate.

(i) No Inconsistent Agreements. Each of the Issuers and DonJoy represents, warrants and agrees with the Initial Purchaser that (i) it has not entered into, and shall not, on or after the date of this Agreement, enter into any agreement that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof, (ii) it has not previously entered into any agreement which remains in effect granting any registration rights with respect to any of its debt securities to any person and (iii) (with respect to the Issuers) without limiting the generality of the foregoing, without the written consent of the Holders of a majority in aggregate principal amount of the then outstanding Transfer Restricted Securities and the Market-Maker, it shall not grant to any person the right to request the Issuers to register any debt securities of the Issuers under the Securities Act unless the rights so granted are not in conflict or inconsistent with the provisions of this Agreement.

(j) No Piggyback on Registrations. Neither the Issuers nor any of their security holders (other than the Holders of Transfer Restricted Securities in such capacity) shall have the right to include any securities of the Issuers in any Shelf Registration or Registered Exchange Offer other than Transfer Restricted Securities.

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(k) Severability. The remedies provided herein are cumulative and

not exclusive of any remedies provided by law. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their reasonable best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

Please confirm that the foregoing correctly sets forth the agreement among the Issuers, DonJoy and the Initial Purchaser.

Very truly yours,

DJ ORTHOPEDICS, LLC,

by /s/ Leslie H. Cross

Name: Leslie H. Cross
Title: President and CEO

DJ ORTHOPEDICS CAPITAL CORPORATION,

by /s/ Leslie H. Cross

Name: Leslie H. Cross
Title: President and CEO

DONJOY, L.L.C.,

by /s/ Leslie H. Cross

Name: Leslie H. Cross
Title: President and CEO

Accepted:

CHASE SECURITIES INC.

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by /s/ R. David McDonough

Authorized Signatory

ANNEX A

Each broker-dealer that receives Exchange Securities for its own account pursuant to the Registered Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Securities received in exchange for Securities where such Securities were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Issuers have agreed that, for a period of 180 days after the Expiration Date (as defined herein), they will make this Prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution".

ANNEX B

Each broker-dealer that receives Exchange Securities for its own account in exchange for Securities, where such Securities were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities. See "Plan of Distribution".

ANNEX C

PLAN OF DISTRIBUTION

Each broker-dealer that receives Exchange Securities for its own account pursuant to the Registered Exchange Offer must acknowledge that it will

deliver a prospectus in connection with any resale of such Exchange Securities. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Securities received in exchange for Securities where such Securities were acquired as a result of market-making activities or other trading activities. The Issuers have agreed that, for a period of 180 days after the Expiration Date, they will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. In addition, until [ ] 199[ ], all dealers effecting transactions in the Exchange Securities may be required to deliver a prospectus.

The Issuers will not receive any proceeds from any sale of Exchange Securities by broker-dealers. Exchange Securities received by broker-dealers for their own account pursuant to the Registered Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the Exchange Securities or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or at negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers of any such Exchange Securities. Any broker-dealer that resells Exchange Securities that were received by it for its own account pursuant to the Registered Exchange Offer and any broker or dealer that participates in a distribution of such Exchange Securities may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of Exchange Securities and any commission or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that, by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period of 180 days after the Expiration Date the Issuers will promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. The Issuers have agreed to pay all expenses incident to the Registered Exchange Offer (including the expenses of one counsel for the Holders of the Securities) other than commissions or concessions of any broker-dealers and will indemnify the Holders of the Securities (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

ANNEX D

[ ] CHECK HERE IF

YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name:
Address:

If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Securities. If the undersigned is a broker-dealer that will receive Exchange Securities for its own account in exchange for Securities that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus in connection with any resale of such Exchange Securities; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

EXHIBIT 10.1

RECAPITALIZATION AGREEMENT

Dated as of April 29, 1999

Among

CHASE DJ PARTNERS, LLC,

SMITH & NEPHEW, INC.

And

DONJOY, L.L.C.

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RECAPITALIZATION AGREEMENT

RECAPITALIZATION AGREEMENT, dated as of April 29, 1999 (this "Agreement") between Chase DJ Partners, LLC, a Delaware limited liability company ("Investor"), Smith & Nephew, Inc., a Delaware corporation ("Smith & Nephew"), and DonJoy, L.L.C., a Delaware limited liability company (the "Company").

WHEREAS, Smith & Nephew is currently the sole member of the Company;

WHEREAS, the Company, together with Smith & Nephew Don Joy de Mexico, S.A. de C.V., a Mexican corporation and a subsidiary of the Company ("S&N DonJoy Mexico"), are engaged in the business of developing, manufacturing and marketing orthopedic bracing and support products and accessories (the "Business");

WHEREAS, Investor desires to purchase from the Company, and the Company desires to sell to Investor, an ownership interest in the Company that upon consummation of the transactions contemplated by this Agreement will represent an approximately 89.90% ownership interest (without calculating the dilutive

effect of any warrants or options to acquire ownership interests) in the Company; and

WHEREAS, Smith & Nephew desires to sell to the Company, and the Company desires to purchase from Smith & Nephew, a portion of the ownership interest in the Company currently owned by Smith & Nephew, such that Smith & Nephew will own an approximately 7.52% ownership interest (without calculating the dilutive effect of any warrants or options to acquire ownership interests) in the Company upon consummation of the transactions contemplated by this Agreement;

WHEREAS, immediately prior to the consummation of the transactions contemplated hereby, the Company shall transfer all of its assets, subject to all of its liabilities, to the Operating Subsidiary in consideration for cash;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, it is hereby agreed between Smith & Nephew and Investor as follows:

ARTICLE I

DEFINITIONS

1.1 DEFINITIONS.

In this Agreement, the following terms have the meanings specified or referred to in this Section 1.1 and shall be equally applicable to both the singular and plural forms. Any agreement

referred to below shall mean such agreement as amended, supplemented and modified from time to time to the extent permitted by the applicable provisions thereof and by this Agreement.

"AFFILIATE" means, with respect to any Person, any other Person which directly or indirectly controls, is controlled by or is under common control with such Person.

"AGREED ACCOUNTING PRINCIPLES" means GAAP, except for the exceptions to GAAP identified on Schedule 1.1(a).

"AGREED RATE" means the prime rate published by Chase Manhattan Bank, as that rate may vary from time to time, or if that rate is no longer published, a comparable rate.

"AGREEMENT" has the meaning specified in the first paragraph of this Agreement.

"AMENDED AND RESTATED OPERATING AGREEMENT" has the meaning specified in Section 4.3(e).

"ASSIGNMENT OF THE EXISTING MEMBERSHIP INTEREST" means the Assignment of the Existing Membership Interest, in the form of Exhibit I.

"ASSUMED LIABILITIES" means all liabilities relating principally to the Business other than the Excluded Liabilities.

"BALANCE SHEET" means the consolidated balance sheet of the Company and S&N DonJoy Mexico as of the Balance Sheet Date included in Schedule 5.5.

"BALANCE SHEET DATE" means December 31, 1998.

"BUSINESS" has the meaning specified in the second recital of this Agreement.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Sections 9601 et seq., any amendments thereto, any successor statutes, and any regulations promulgated thereunder.

"CERF LABORATORY AGREEMENT" means the CERF Laboratory Agreement between Smith & Nephew and the Company, in the form of Exhibit F.

"CLAIM NOTICE" has the meaning specified in Section 11.3(a).

"CLOSING" means the closing of the transfer of the Existing Membership Interest from Smith & Nephew to the Company and the New Membership Interest from the Company to Investor.

"CLOSING DATE" has the meaning specified in Section 4.1.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COMPANY" has the meaning specified in the first paragraph of this

Agreement.

"COMPANY AGREEMENTS" has the meaning specified in Section 5.18.

"COMPANY ANCILLARY AGREEMENTS" means all agreements, instruments and documents being or to be executed and delivered by the Company and the Operating Subsidiary, as applicable, under this Agreement or in connection herewith, including without limitation, the Amended and Restated Operating Agreement, the License Agreement, the Supply Agreement, the Distribution Agreement, the Transition Services Agreement, the CERF Laboratory Agreement, the Vista Subleases, the Vista Guarantees, the Group Research Centre Technology Agreement and the Members' Agreement.

"COMPANY PLAN" means any Plan covering or providing benefits to Current Employees, former employees of the Company or S&N DonJoy Mexico or their dependents or beneficiaries.

"COMPANY REAL PROPERTY" means any real property, plant, building, facility, structure or underground storage tank in the United States owned, leased or operated by the Company.

"CONFIDENTIALITY AGREEMENT" means that certain Confidentiality Agreement dated January 14, 1999 between Chase Capital Partners and Smith & Nephew.

"CONTAMINANT" means any waste, pollutant, hazardous, noxious or toxic substance or waste, petroleum, petroleum-based substance or waste, special waste, or any constituent of any such substance or waste, whether solid, liquid or gas.

"COURT ORDER" means any judgment, order, compliance agreement, injunction, award or decree of any foreign, federal, state, local or other court or tribunal and any award in any arbitration proceeding.

"CURRENT EMPLOYEES" means persons who are employees of the Company or S&N DonJoy Mexico as of the Closing, including employees on leave of absence for any reason.

"DISTRIBUTION AGREEMENT" means the Distribution Agreement between Smith & Nephew and the Company, in the form of Exhibit E.

"ENCUMBRANCE" means any lien, claim, charge, security interest, mortgage, pledge, easement, conditional sale or other title retention agreement, defect in title, covenant, restriction on transfer or other restrictions of any kind.

"ENVIRONMENTAL CLAIM NOTICE" has the meaning specified in Section 12.5(a).

"ENVIRONMENTAL ENCUMBRANCE" means an Encumbrance in favor of any Governmental Body for (i) any liability under any Environmental Law, or (ii) damages arising from, or costs incurred in response to, a Release or threatened Release of a Contaminant into the environment or other violation of Environmental Law.

"ENVIRONMENTAL EXPENSE" means any Expense incurred in connection with investigating, defending or remediating any Environmental Loss.

"ENVIRONMENTAL LAW" means all Requirements of Law relating to or addressing the environment, health or safety, including but not limited to CERCLA, OSHA and RCRA and any state equivalent thereof.

"ENVIRONMENTAL LOSS" means all Losses resulting from an Environmental Matter, including fines, penalties, and damages to natural resources.

"ENVIRONMENTAL MATTERS" means any matter relating to (i) the Release or threatened Release of a Contaminant on, in, at, to, from or beneath a facility or (ii) liabilities arising under applicable Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA AFFILIATE" means any corporation, trade or business (whether or not incorporated) or other organization which, together with the Company, is treated as a single employer under section 414 of the Code.

"ESTIMATED EXISTING MEMBERSHIP INTEREST PURCHASE PRICE" means the

Existing Membership Interest Purchase Price, but determined on an estimated basis by Smith & Nephew two business days prior to the Closing Date, in good faith, in accordance with Section 3.3 and as reflected in the certificate referred to in Section 3.3.

"EVALUATION AGREEMENT" has the meaning specified in Section 8.7.

"EXCLUDED LIABILITIES" means (i) any fees or expenses payable by Smith & Nephew pursuant to Section 5.20; (ii) except as otherwise provided in Section 8.4, liabilities arising with respect to any Company Plan, including, without limitation, relating to dental coverage of employees; (iii) all amounts payable by Smith & Nephew pursuant to Section 8.4(e), (iv) liabilities, claims, lawsuits, proceedings or obligations arising from personal injury or product liability claims relating to products sold by Smith & Nephew, the Company or S&N DonJoy Mexico prior to the Closing Date, (v) liabilities, demands, claims, lawsuits or proceedings or obligations arising from workers' or workmen's compensation claims based on events occurring prior to the Closing Date, (vi) all liabilities of Smith & Nephew, the Company and S&N DonJoy Mexico incurred in connection with the evaluation of the Company and the Business by interested parties and the negotiation and documentation of this Agreement and the agreements and documents contemplated hereby, including, without limitation, legal and accounting fees and expenses (except those payable by the Company pursuant to Section 14.10); (vii) all liabilities or obligations under the Lease from Premier Business Properties, Ltd. No. 3 to Smith & Nephew DonJoy, Inc. dated as of March 22, 1991 relating to the premises located at 2777 Loker Avenue West, Carlsbad, CA, as assigned and amended, (viii) all liabilities or obligations for severance payments or other amounts of obligations owing to any employee of the Business as a result of the 1998 restructuring of the operations of Smith & Nephew and (ix) the liabilities described in Schedule 1.1(d).

"EXCLUDED TAXES" has the meaning specified in Section 8.1(a)(i).

"EXISTING MEMBERSHIP INTEREST" has the meaning specified in Section 2.2.

"EXISTING MEMBERSHIP INTEREST PURCHASE PRICE" has the meaning specified in Section 3.2.

"EXPENSES" means any and all reasonable expenses incurred in connection with investigating, defending or asserting any claim, action, suit or proceeding incident to any matter indemnified against hereunder (including, without limitation, court filing fees, court costs, arbitration fees or costs, witness fees, and reasonable fees and disbursements of legal counsel, investigators, expert witnesses, accountants and other professionals).

"GAAP" means United States generally accepted accounting principles applied on a consistent basis, in effect at the date of the applicable financial statements.

"GOVERNMENTAL BODY" means any foreign, federal, state, local or other governmental authority or regulatory body.

"GOVERNMENTAL PERMITS" has the meaning specified in Section 5.8.

"GROUP RESEARCH CENTRE TECHNOLOGY AGREEMENT" means the Agreement between Smith & Nephew and the Company, in the form of Exhibit A.

"HSR ACT" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"INVESTOR" has the meaning specified in the first paragraph of this Agreement.

"INVESTOR ANCILLARY AGREEMENTS" means all agreements, instruments and documents being or to be executed and delivered by Investor under this Agreement or in connection herewith, including without limitation the Members' Agreement and the Amended and Restated Operating Agreement.

"INVESTOR GROUP MEMBER" means Investor and its Affiliates, (including, after the Closing, the Company and S&N DonJoy Mexico) and its and their stockholders, partners, members, directors, officers, employees, agents, attorneys and consultants and their respective successors and assigns.

"IRS" means the Internal Revenue Service.

"KNOWLEDGE OF SMITH & NEPHEW" means (i) the actual knowledge, without investigation, of Les Cross, Cy Talbot and Cliff Lomax and (ii) that knowledge which Les Cross, Cy Talbot and Cliff Lomax should have obtained in the prudent management and oversight of the Company.

"LEASED REAL PROPERTY" has the meaning specified in Section 5.9(b).

"LOSSES" means any and all losses, costs, obligations, liabilities, settlement payments, awards, judgments, fines, penalties, damages, expenses, deficiencies or other charges or losses.

"MATERIAL ADVERSE EFFECT" means any material adverse effect on the assets, business, results of operations or financial condition of the Company and S&N DonJoy Mexico, taken as a whole; provided, however, that any change or effect resulting from (i) this Agreement or the transactions contemplated hereby, or announcement thereof, (ii) changes in general economic conditions, or (iii) events generally affecting the industry in which the Business operates shall not constitute a "Material Adverse Effect"; and provided, further, that for purposes of this Agreement any difference of $550,000 or more between the value of Company's inventory (valued at standard cost) based on the physical inventory conducted pursuant to Section 3.4 and the Company's book value of inventory (valued at standard cost) as of the date of such physical inventory (which book value shall be after deducting the shrinkage reserve of the Company as of such inventory date), shall constitute a "Material Adverse Effect" for purposes of this Agreement.

"MEMBERS' AGREEMENT" means the Members' Agreement by and among the Company, the Investor, Smith & Nephew and the other members from time to time party thereto, in the form of Exhibit B.

"MULTIEMPLOYER PLAN" means any Plan described in section 4001(a)(3) of ERISA.

"NEW MEMBERSHIP INTEREST" has the meaning specified in Section 2.1.

"NEW MEMBERSHIP INTEREST PURCHASE PRICE" has the meaning specified in Section 3.1.

"OPERATING SUBSIDIARY" means DJ Orthopedic, LLC, a Delaware limited liability company which shall become a wholly owned subsidiary of the Company.

"OSHA" means the Occupational Safety and Health Act, 29 U.S.C. Sections 651 et seq., any amendment thereto, any successor statute, and any regulations promulgated thereunder.

"OWNED REAL PROPERTY" has the meaning specified in Section 5.9(a).

"PERMITTED ENCUMBRANCES" means (a) liens for Taxes and other governmental charges and assessments which are not yet due and payable, (b) liens of landlords and liens of carriers, warehousemen, mechanics and materialmen and other like liens arising in the ordinary course of business for sums not yet due and payable and (c) other liens, easements or imperfections on property which are not material in amount or do not materially detract from the value of or materially impair the existing use of the property affected by such lien or imperfection.

"PERSON" means any individual, corporation, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization or Governmental Body.

"PLAN" means any written material retirement, profit sharing, stock bonus, stock ownership, stock option, restricted stock, deferred compensation, severance, holiday pay, vacation pay, bonus, health, hospitalization, accident, disability, death, insurance, worker's

compensation or other employee or fringe benefit plan, program or arrangement, including, without limitation, any "employee benefit plan" within the meaning of section 3(3) of ERISA sponsored, maintained or contributed to by Smith & Nephew or any of its ERISA Affiliates as of the Closing Date.

"PROPRIETARY INFORMATION" has the meaning specified in Section 8.5(b).

"PROPRIETARY PRODUCTS" has the meaning specified in Section 8.5(b).

"RCRA" means the Resource Conservation and Recovery Act, 42 U.S.C. Sections 6901 et seq., and any successor statute, and any regulations promulgated thereunder.

"RELEASE" means release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration of a Contaminant into the indoor or outdoor environment or into or out of any Company Real

Property, including the movement of Contaminants through or in the air, soil, surface water, groundwater or Company Real Property.

"REMEDIAL ACTION" means actions required to (i) clean up, remove, treat or in any other way address Contaminants in the indoor or outdoor environment; (ii) prevent the Release or threatened Release or minimize the further Release of Contaminants or (iii) investigate and determine if a remedial response is needed and to design such a response and post-remedial investigation, monitoring, operation and maintenance and care.

"REQUIREMENTS OF LAW" means any foreign, federal, state and local laws, statutes, regulations, rules, codes or ordinances enacted, adopted, issued or promulgated by any Governmental Body.

"RETENTION AGREEMENTS" means the agreements between Smith & Nephew and the employees of the Company listed on Schedule 1.1(b).

"S&N DONJOY MEXICO" has the meaning specified in the second recital of this Agreement.

"SELLER'S RESTRICTED BUSINESS" has the meaning specified in Section 8.5(a).

"SMITH & NEPHEW" has the meaning specified in the first paragraph of this Agreement.

"SMITH & NEPHEW ANCILLARY AGREEMENTS" means all agreements, instruments and documents being or to be executed and delivered by Smith & Nephew under this Agreement or in connection herewith, including without limitation the Amended and Restated Operating Agreement, the License Agreement, the Supply Agreement, the Distribution Agreement, the Transition Services Agreement, the CERF Laboratory Agreement, the Vista Subleases, the Group Research Centre Technology Agreement and the Members' Agreement.

"SMITH & NEPHEW GROUP MEMBER" means Smith & Nephew and its Affiliates (which, prior to the Closing, shall include the Company and S&N DonJoy Mexico but shall not include such entities if on and after the Closing), and its and their stockholders, partners,

members, directors, officers, employees, agents, attorneys and consultants and their respective successors and assigns.

"STRADDLE PERIOD" means any taxable year or period beginning before and ending after the Closing Date.

"SUPPLY AGREEMENT" means the Supply Agreement between Smith & Nephew and the Company, in the form of Exhibit C.

"TAX" (and, with correlative meaning, "TAXES") shall (i) mean any federal, state, local or foreign income, gross receipts, property, sales, use, license, excise, franchise, employment, payroll, withholding, alternative or add-on minimum, ad valorem, value added, transfer or excise tax, or any other tax, custom, duty, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or penalty, imposed by any governmental authority and (ii) any liability for the payment of (A) any amount of the type described in clause (i) above as a result of being a "transferee" (within the meaning of Section 6901 of the Code) of another Person, (B) any amount incurred as a result of being a member of a combined, consolidated or affiliated group or (C) a Tax sharing, indemnity or similar contractual agreement with respect to Tax.

"TAX RETURN" shall mean any return, report or similar statement required to be filed with respect to any Tax (including any attached schedules), including, without limitation, any information return, claim for refund, amended return or declaration of estimated Tax.

"TRANSITION SERVICES AGREEMENT" means the Transition Services Agreement between Smith & Nephew and the Company, in the form of Exhibit D.

"VALUATION DATE" means the close of business on the last business day prior to the Closing Date.

"VALUATION DATE BALANCE SHEET" has the meaning specified in Section 3.4.

"VALUATION DATE NET OPERATING ASSETS" means the Net Operating Assets of the Business on the Valuation Date as reflected in the Valuation Date Balance Sheet prepared in accordance with Agreed Accounting Principles, as described in Schedule 1.1(c).

"VICTORIA LICENSE AGREEMENT" has the meaning specified in Section 8.7.

"VICTORIA PATENTS" has the meaning specified in Section 8.7.

"VICTORIA UNIVERSITY" has the meaning specified in Section 8.7.

"VISTA GUARANTEES" has the meaning specified in Section 4.4(b).

"VISTA SUBLEASES" has the meaning specified in Section 4.4(a).

ARTICLE II

ISSUANCE AND SALE OF NEW MEMBERSHIP INTEREST AND
PURCHASE OF EXISTING MEMBERSHIP INTEREST

2.1 AMENDMENT AND RESTATEMENT OF OPERATING AGREEMENT OF THE COMPANY AND CONVERSION OF EXISTING MEMBERSHIP INTEREST TO UNITS.

On the Closing Date, Smith & Nephew shall take the necessary actions required to convert the membership interest in the Company owned by it into 2,054,000 Units in the Company.

2.2 ASSET SALE TO OPERATING SUBSIDIARY.

Smith & Nephew shall cause the Company to transfer to the Operating Subsidiary all of the Company's assets, subject to all of the Company's liabilities, including any and all shares of issued and outstanding capital stock of S&N DonJoy Mexico owned by the Company, in exchange for a portion of the cash proceeds received by the Operating Subsidiary from the financing transactions described in Section 2.4.

2.3 ISSUANCE AND SALE OF THE NEW MEMBERSHIP INTEREST.

Upon the terms and subject to the conditions of this Agreement, on the Closing Date, the Company shall issue, sell, transfer, assign, convey and deliver to (i) Investor, and Investor shall purchase from the Company, 645,500 Units in the Company and (ii) certain other Persons identified on Schedule 2.3 hereto, and such Persons shall purchase from the Company, 18,500 Units in the Company (the interests described in clauses (i) and (ii) being referred to collectively herein as the "New Membership Interest"), free and clear of all Encumbrances (unless created by Investor or any of its Affiliates), other than restrictions under applicable securities laws.

2.4 DEBT AND PREFERRED UNIT FINANCING.

In addition to the transactions described in Section 2.3, on the Closing Date, the Company and the Operating Subsidiary shall consummate the other transactions contemplated by the commitment letters attached hereto as Schedule 6.3.

2.5 PURCHASE OF THE EXISTING MEMBERSHIP INTEREST.

Upon the terms and subject to the conditions of this Agreement, on the Closing Date, Smith & Nephew shall sell, transfer, assign, convey and deliver to the Company, and the Company shall purchase and redeem from Smith & Nephew, 2,000,000 Units of the Company (the "Existing Membership Interest") and Smith & Nephew shall transfer, assign, convey and deliver to the Company any and all shares of issued and outstanding capital stock of S&N DonJoy Mexico owned by Smith & Nephew (for no additional consideration other than the consideration provided for herein).

ARTICLE III

NEW MEMBERSHIP INTEREST PURCHASE PRICE
AND EXISTING MEMBERSHIP INTEREST PURCHASE PRICE

3.1 NEW MEMBERSHIP INTEREST PURCHASE PRICE.

The purchase price for the New Membership Interest (the "New Membership Interest Purchase Price") shall be equal to $65,000,000 in cash and promissory notes in the aggregate principal amount of $1,400,000.

3.2 EXISTING MEMBERSHIP INTEREST PURCHASE PRICE.

The purchase price for the Existing Membership Interest (the "Existing Membership Interest Purchase Price") shall be determined in accordance with

Section 3.3 and shall be equal to:

(a) $200,000,000, plus,

(b) the amount, on a dollar for dollar basis, by which the Valuation Date Net Operating Assets exceeds $33,371,000, or minus,

(c) the amount, on a dollar for dollar basis, by which $33,371,000 exceeds the Valuation Date Net Operating Assets.

3.3 DETERMINATION OF CLOSING DATE CASH PAYMENT.

At least two business days prior to the Closing Date, Smith & Nephew shall deliver to Investor an officer's certificate, dated the date of its delivery, setting forth Smith & Nephew's best estimate of the Estimated Existing Membership Interest Purchase Price, calculated in accordance with Section 3.2 and setting forth in reasonable detail the assets and liabilities of the Business as of the Valuation Date such officer anticipates, based upon the most recent available financial statements, will be reflected on the Valuation Date Balance Sheet prepared in accordance with the Agreed Accounting Principles.

3.4 DETERMINATION OF NEW MEMBERSHIP INTEREST PURCHASE PRICE.

(a) As promptly as practicable following the Closing Date (but not later than 45 days after the Closing Date), Smith & Nephew shall:

(i) prepare, in accordance with the Agreed Accounting Principles, a balance sheet as of the Valuation Date of the Company (the "Preliminary Valuation Date Balance Sheet");

(ii) determine the Existing Membership Interest Purchase Price in accordance with the provisions of this Agreement (such Existing Membership Interest Purchase Price as determined by Smith & Nephew being called the "Preliminary Existing Membership Interest Purchase Price"); and

(iii) deliver to Investor the Preliminary Valuation Date Balance Sheet and an officer's certificate setting forth the Preliminary Existing Membership Interest Purchase Price (the "Preliminary Accounting Report").

The inventory valuation set forth in the Preliminary Valuation Date Balance Sheet shall be based on a physical inventory to be taken by the Company on April 30, 1999 and May 1, 1999 (at which representatives of Investor may be present), as updated by inventory records for the period after the taking of such physical inventory through the Valuation Date.

(b) Promptly following receipt of the Preliminary Accounting Report, Investor may review the same and, within 30 days after the date of such receipt, may deliver to Smith & Nephew an officer's certificate setting forth its objections to the Preliminary Valuation Date Balance Sheet and the Preliminary Existing Membership Interest Purchase Price as set forth in the Preliminary Accounting Report, together with a summary of the reasons therefor and calculations which, in its view, are necessary to eliminate such objections. If Investor does not so object within such 30-day period, the Preliminary Valuation Date Balance Sheet and the Preliminary Existing Membership Interest Purchase Price set forth in the Preliminary Accounting Report shall be final and binding as the "Valuation Date Balance Sheet" and the Existing Membership Interest Purchase Price, respectively, for purposes of this Agreement.

(c) If Investor so objects within such 30-day period, Investor and Smith & Nephew shall use their reasonable efforts to resolve by written agreement (the "Agreed Adjustments") any differences as to the Preliminary Valuation Date Balance Sheet and the Preliminary Existing Membership Interest Purchase Price and, if Smith & Nephew and Investor so resolve any such differences, the Preliminary Valuation Date Balance Sheet and the Preliminary Existing Membership Interest Purchase Price set forth in the Preliminary Accounting Report as adjusted by the Agreed Adjustments shall be final and binding as the Valuation Date Balance Sheet and the Existing Membership Interest Purchase Price, respectively, for purposes of this Agreement.

(d) If any objections raised by Investor are not resolved by Agreed Adjustments within the 30-day period next following such 30-day period, then Investor and Smith & Nephew shall submit the objections that are then unresolved to Pricewaterhouse Coopers, LLP (or to such other national accounting firm acceptable to both Smith & Nephew and Investor) and such firm (the "Accounting Firm") shall be directed by Investor and Smith & Nephew to resolve the unresolved objections (based solely on the presentations by Investor and by Smith & Nephew (and such other information as the Accounting Firm shall reasonably request to review in accordance with Section 3.4(e)) as to whether any disputed matter had been determined in a manner consistent with the Agreed

Accounting Principles) as promptly as reasonably practicable (but no longer than 90 days) and to deliver written notice to each of Investor and Smith & Nephew setting forth its resolution of the disputed matters. The Preliminary Valuation Date Balance Sheet and the Preliminary Existing Membership Interest Purchase Price, after giving effect to any Agreed Adjustments and to the resolution of disputed matters by the Accounting Firm, shall be final and binding as the Valuation Date Balance Sheet and the Existing Membership Interest Purchase Price, respectively, for purposes of this Agreement.

(e) The parties hereto shall make available to Investor, Smith & Nephew and, if applicable, the Accounting Firm, such books, records and other information (including work papers) as any of the foregoing may reasonably request to prepare or review the Preliminary Accounting Report or any matters submitted to the Accounting Firm. The fees and expenses of the Accounting Firm hereunder shall be paid 50% by Investor and 50% by Smith & Nephew.

3.5 ADJUSTMENT UPON DETERMINATION OF EXISTING MEMBERSHIP INTEREST PURCHASE PRICE.

Promptly (but not later than five days) after the determination of the Existing Membership Interest Purchase Price pursuant to Section 3.4 that is final and binding as set forth herein:

(a) if the Estimated Existing Membership Interest Purchase Price exceeds the Existing Membership Interest Purchase Price, Smith & Nephew shall pay to the Company, by wire transfer of immediately available funds to such bank account of the Company as the Company shall designate in writing to Smith & Nephew, an amount equal to the excess, on a dollar for dollar basis, of the Estimated Existing Membership Interest Purchase Price over the Existing Membership Interest Purchase Price, plus interest on such excess from and including the Closing Date to the date of payment thereof at the Agreed Rate; or

(b) if the Existing Membership Interest Purchase Price exceeds the Estimated Existing Membership Interest Purchase Price, the Company shall pay to Smith & Nephew, by wire transfer of immediately available funds to such bank account of Smith & Nephew as Smith & Nephew shall designate in writing to the Company, an amount equal to the excess, on a dollar for dollar basis, of the Existing Membership Interest Purchase Price over the Estimated Existing Membership Interest Purchase Price, plus interest on such excess from and including the Closing Date to the date of payment thereof at the Agreed Rate.

3.6 DEEMED TAX TREATMENT; ALLOCATION OF PURCHASE PRICE.

The parties hereto agree that the purchase of the New Membership Interest by Investor from the Company will be treated as a contribution to the Company pursuant to Section 721 of the Code. The purchase of the Existing Membership Interest by the Company from Smith & Nephew will be treated for federal income tax purposes as (i) a sale to the Company of an undivided interest in each asset of the Business and the stock of S&N DonJoy Mexico (the "Sale Assets") and (ii) a contribution to the Company of the remaining undivided interest in each asset of the Business and the stock of S&N DonJoy Mexico (the "Contributed Assets"). For purposes of the preceding sentence, (i) the total value of the Sale Assets shall be equal to the Existing Membership Interest Purchase Price plus any liabilities of the Company immediately prior to the Closing required to be treated as a transfer of consideration made pursuant to a sale under Treas. Reg. Section 1.707-5(a) minus Smith & Nephew's allocable share of the liabilities contemplated by Section 2.4 as determined in accordance with Treas. Reg. Section 1.707-5(b) (the "Deemed Sales Price"), and (ii) the total value of the Contributed Assets shall be equal to the fair market value of the Company's assets immediately prior to the Closing Date minus the amount determined under clause (i) (the "Deemed Tax Treatment"). Within 90 days following the Closing, Investor shall draft a schedule (the "Allocation Schedule") allocating the Deemed Sales Price among the Sale Assets and stating the fair market value of the Contributed Assets. The Allocation Schedule

shall be reasonable and shall be prepared in accordance with Section 1060 of the Code and the regulations thereunder. If Smith & Nephew does not object to the Allocation Schedule prepared by Investor within 30 days following its receipt thereof, such statement shall be final for purposes of this Agreement. In the event, however, that Smith & Nephew objects to the Allocation Schedule within 30 days after the receipt thereof, Smith & Nephew and Investor shall meet promptly and in good faith attempt to resolve any objections of Smith & Nephew and to use their respective best efforts to agree upon a final allocation among the Sale Assets and the Contributed Assets. In the event that Smith & Nephew and Investor are unable to resolve their differences over the Allocation Schedule, such

differences shall be finally resolved in accordance with the procedures set forth in Section 3.4(d). Investor and Smith & Nephew each agrees that promptly upon receiving the final Allocation Schedule it shall return an executed copy thereof to the other party. Investor, Smith & Nephew and the Company each agrees, as applicable, to file Internal Revenue Service Form 8594, and all federal, state, local and foreign Tax Returns, in accordance with the Allocation Schedule and consistent with the Deemed Tax Treatment. Each of Investor, Smith & Nephew and the Company agrees to provide the other parties promptly with any other information required to comply with this Section 3.6.

ARTICLE IV

CLOSING

4.1 CLOSING DATE.

The Closing shall be consummated at 10:00 A.M., local time, on the later of (i) the date that is 75 days following the date hereof (or the next business day following such date, if such date is not a business day) or (ii) the third business day after the conditions set forth in Articles IX and X have been satisfied, or such later date as may be agreed upon by Investor and Smith & Nephew, at the offices of O'Sullivan Graev & Karabell LLP, 30 Rockefeller Plaza, New York, New York, or at such other place as shall be agreed upon by Investor and Smith & Nephew. The time and date on which the Closing is actually held is referred to herein as the "Closing Date."

4.2 PAYMENT OF NEW MEMBERSHIP INTEREST PURCHASE PRICE AND EXISTING MEMBERSHIP INTEREST PURCHASE PRICE.

(a) Subject to fulfillment or waiver of the conditions set forth in Article IX, on the Closing Date, all actions required under Article II to be taken by Investor shall be taken and Investor and the other Persons identified on Schedule 2.3 shall pay the Company an amount equal to the New Membership Interest Purchase Price by wire transfer of immediately available funds to such account specified by the Company to Investor and the other Persons identified on Schedule 2.3 at least two business days prior to the Closing Date.

(b) Subject to fulfillment or waiver of the conditions set forth in Article X, on the Closing Date all actions required to be taken by Smith & Nephew and the Company shall be taken and the Company shall pay Smith & Nephew an amount equal to the Estimated Existing Membership Interest Purchase Price by wire transfer of immediately available funds to such account specified at least two business days prior to the Closing Date by Smith & Nephew to the Company.

4.3 INVESTOR'S ADDITIONAL CLOSING DATE DELIVERIES.

Subject to fulfillment or waiver (where permissible) of the conditions set forth in Article IX, at Closing Investor shall deliver to Smith & Nephew and the Company all the following:

(a) Certificate of Formation of Investor certified as of a recent date by the Secretary of State of the State of Delaware;

(b) Certificate of good standing of Investor issued as of a recent date by the Secretary of State of the State of Delaware;

(c) Certificate of the secretary or an assistant secretary of Investor, dated the Closing Date, in form and substance reasonably satisfactory to Smith & Nephew, as to (i) no amendments to the Certificate of Formation of Investor since a specified date; (ii) the operating agreement of Investor; (iii) the resolutions of the managers of Investor authorizing the execution, delivery and performance of this Agreement, the Investor Ancillary Agreements and the transactions contemplated by this Agreement; and (iv) incumbency and signatures of the officers of Investor executing this Agreement and any Investor Ancillary Agreement;

(d) Opinion of counsel to Investor substantially in the form contained in Exhibit G;

(e) Amended and Restated Operating Agreement of the Company, in the form of Exhibit H (the "Amended and Restated Operating Agreement"), duly executed by Investor;

(f) The Members' Agreement, duly executed by Investor; and

(g) The certificate contemplated by Section 10.1, duly executed by the President or any Vice President of Investor.

4.4 CLOSING DATE DELIVERIES OF SMITH & NEPHEW AND THE COMPANY.

Subject to fulfillment or waiver (where permissible) of the conditions set forth in Article X, at Closing:

(a) Smith & Nephew shall deliver to the Company the following:

(i) The Assignment of the Existing Membership Interest, duly executed by Smith & Nephew;

(ii) The Members' Agreement, duly executed by Smith & Nephew;

(iii) The Transition Services Agreement, duly executed by Smith & Nephew;

(iv) The Supply Agreement, duly executed by Smith & Nephew;

(v) The CERF Laboratory Agreement, duly executed by Smith & Nephew;

(vi) The Distribution Agreement, duly executed by Smith & Nephew;

(vii) The Group Research Centre Technology Agreement, duly executed by Smith & Nephew;

(viii) Amended and Restated Operating Agreement, duly executed by Smith & Nephew; and

(ix) the Subleases between Smith & Nephew and the Operating Subsidiary, in the form of Exhibit K (the "Vista Subleases"), duly executed by Smith & Nephew.

(b) the Company shall deliver to Smith & Nephew the following:

(i) The Members' Agreement, duly executed by the Company;

(ii) The Transition Services Agreement, duly executed by the Company;

(iii) The Supply Agreement, duly executed by the Company;

(iv) The CERF Laboratory Agreement, duly executed by Smith & Nephew;

(v) The Distribution Agreement, duly executed by Smith & Nephew;

(vi) The Group Research Centre Technology Agreement, duly executed by the Company;

(vii) The Amended and Restated Operating Agreement duly executed by the Company;

(viii) The Vista Subleases, duly executed by Operating Subsidiary; and

(ix) The Guarantees of the Vista Subleases, in the form of Exhibit L (the "Vista Guarantees"), duly executed by the Company.

(c) the Company shall deliver to Investor the following:

(i) Certificate of Formation of the Company, certified as of a recent date by the Secretary of State of the State of Delaware;

(ii) Certificate of good standing of the Company issued as of a recent date by the Secretary of State of the State of Delaware;

(iii) Certificate of the secretary or an assistant secretary of the Company, dated the Closing Date, in form and substance reasonably satisfactory to Investor, as to (A) no amendments to the Certificate of Formation of the Company since a specified date, (B) the operating agreement of the Company, (C) the charter and bylaws (or other comparable documents) of S&N DonJoy Mexico (D) the resolutions of the managers and sole member of the Company authorizing the execution, delivery and performance of this Agreement, the Company Ancillary Agreements, and the transactions contemplated by

this Agreement and (E) incumbency and signatures of the officers of the

Company executing this Agreement and the Company Ancillary Agreements;

(iv) Amended and Restated Operating Agreement, duly executed by the Company; and

(v) Certificate of Public Registry of Property and Commerce relating to S&N DonJoy Mexico.

(d) Smith & Nephew shall deliver to Investor the following:

(i) Certificate of Incorporation of Smith & Nephew certified as of a recent date by the Secretary of State of the State of Delaware;

(ii) Certificate of good standing of Smith & Nephew issued as of a recent date by the Secretary of State of the State of Delaware;

(iii) Certificate of the secretary or an assistant secretary of Smith & Nephew, dated the Closing Date, in form and substance reasonably satisfactory to Investor, as to (A) no amendments to the Certificate of Incorporation of Smith & Nephew since a specified date; (B) the by-laws of Smith & Nephew; (C) the resolutions of the board of directors of Smith & Nephew and the sole stockholder of Smith & Nephew authorizing the execution, delivery and performance of this Agreement, the Smith & Nephew Ancillary Agreements and the transactions contemplated by this Agreement; and (D) incumbency and signatures of the officers of Smith & Nephew executing this Agreement and any Smith & Nephew Ancillary Agreement;

(iv) Opinion of counsel to Smith & Nephew and the Company substantially in the form contained in Exhibit J;

(v) All consents, waivers or approvals obtained by Smith & Nephew, the Company or S&N DonJoy Mexico with respect to the consummation of the transactions contemplated by this Agreement, including those listed on Schedule 9.4;

(vi) Stock certificate representing the shares of capital stock of S&N DonJoy Mexico held by Smith & Nephew, accompanied by a duly executed stock power transferring such shares to the Company; and

(vii) The certificate contemplated by Section 9.1, duly executed by the President or any Vice President of Smith & Nephew.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF SMITH & NEPHEW

As an inducement to Investor to enter into this Agreement and to consummate the transactions contemplated hereby, Smith & Nephew represents and warrants to Investor as follows:

5.1 ORGANIZATION OF SMITH & NEPHEW.

Smith & Nephew is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

5.2 ORGANIZATION AND CAPITAL STRUCTURE OF THE COMPANY.

(a) The Company is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware. The Company is duly qualified to transact business as a foreign limited liability company and is in good standing in each of the jurisdictions listed in Schedule 5.2. Except as set forth in Schedule 5.2, the jurisdictions listed in Schedule 5.2 are the only jurisdictions in which the ownership or leasing of the Company's properties and assets or the conduct of the Business requires such qualification and where the failure to be so qualified has had or is reasonably likely to have a Material Adverse Effect. Except as set forth in Schedule 5.2, the Company has the requisite limited liability company power and authority to own or lease and to operate and use its assets and to carry on the Business as now conducted by it.

(b) The initial capital contribution of the sole member of the Company is set forth on Schedule 5.2. Except for this Agreement and the operating agreement of the Company, and the Members' Agreement and the Amended and Restated Operating Agreement contemplated by this Agreement, there are no agreements, arrangements, options, warrants, calls, rights or commitments of any character relating to the issuance, sale, purchase or redemption of any membership interests of the Company. There are no bonds, debentures, notes or other indebtedness of the Company having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which members of the Company have the right to vote. All of the outstanding membership

interests of the Company are duly authorized, validly issued, fully paid and nonassessable and are owned by Smith & Nephew of record and beneficially free from all Encumbrances.

(c) The New Membership Interest, when delivered to and purchased by Investor pursuant to Section 2.3, will be validly issued, fully paid and nonassessable and free from all Encumbrances (unless created by Investor or any of its Affiliates), other than restrictions under applicable securities laws.

5.3 S&N DONJOY MEXICO; SUBSIDIARIES.

(a) S&N DonJoy Mexico is a corporation duly organized and validly existing as a limited liability variable stock company (Sociedad Anonima de Capital Variable) under the laws of Mexico. S&N DonJoy Mexico has authorized, issued and outstanding the number of shares of capital stock set forth in Schedule 5.3. All such outstanding shares are owned by the Company and Smith & Nephew in the amounts set forth in Schedule 5.3, and have been duly and validly issued, are fully paid and nonassessable and have not been issued in violation of the preemptive rights of any Person. There are no outstanding options, warrants or other rights to acquire securities of S&N DonJoy Mexico and there are no Encumbrances upon and no restrictions on transfer of the outstanding capital stock of S&N DonJoy Mexico. Except as set forth in Schedule 5.3, all corporate actions, licenses, permits, registrations, filings, governmental authorizations,

payment of Taxes or withholdings or other actions required under Mexican law in connection with the acquisition of outstanding capital stock of S&N DonJoy Mexico by the Company have been taken or made.

(b) Except for its ownership of shares of capital stock of S&N DonJoy Mexico, the Company does not, directly or indirectly, own, of record or beneficially, any outstanding voting securities or other equity interests in any corporation, partnership, joint venture or other entity.

5.4 AUTHORITY OF SMITH & NEPHEW AND THE COMPANY.

(a) Smith & Nephew has the requisite corporate power and authority to execute, deliver and perform this Agreement and all of the Smith & Nephew Ancillary Agreements and to consummate the transactions contemplated hereby or thereby. The execution, delivery and performance of this Agreement and the Smith & Nephew Ancillary Agreements by Smith & Nephew have been duly authorized and approved by Smith & Nephew's board of directors and its sole stockholder and do not require any further authorization or consent of Smith & Nephew or its stockholder. This Agreement has been duly authorized, executed and delivered by Smith & Nephew and (assuming the valid authorization, execution and deliver of this Agreement by Investor) is the legal, valid and binding obligation of Smith & Nephew enforceable against Smith & Nephew in accordance with its terms, and each of the Smith & Nephew Ancillary Agreements has been duly authorized by Smith & Nephew and upon execution and delivery by Smith & Nephew (assuming the valid authorization, execution and delivery thereof by the other party or parties thereto) will be a legal, valid and binding obligation of Smith & Nephew enforceable against Smith & Nephew in accordance with its terms, in each case subject to bankruptcy, insolvency, reorganization, moratorium and similar laws of general application relating to or affecting creditors' rights and to general equity principles.

(b) The Company has the requisite limited liability company power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the Company Ancillary Agreements have been duly authorized and approved by the managers and the sole member of the Company and do not require any further authorization of the managers or the sole member of the Company. This Agreement and the Company Ancillary Agreements have been duly authorized, executed and delivered by the Company. Assuming the valid authorization, execution and delivery of this Agreement by Investor, this Agreement is the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and similar laws of general application relating to or affecting creditors' rights and to general equity principles.

(c) Except as set forth in Schedule 5.4, neither the execution and delivery of this Agreement or any of the Smith & Nephew Ancillary Agreements or the consummation of any of the transactions contemplated hereby or thereby nor compliance with or fulfillment of the terms, conditions and provisions hereof or thereof will:

(i) conflict with, result in a breach of the terms, conditions or provisions of, or constitute a default (with or without notice or lapse of time, or both), an event of default or an event creating rights of acceleration, termination or cancellation or a loss of

rights under, or result in the creation or imposition of any Encumbrance upon any of the membership interests of the Company, the equity securities of S&N DonJoy Mexico or any of the assets of the Company, under (1) the Certificate of Incorporation or by-laws of Smith & Nephew, (2) any note, instrument, agreement, mortgage, lease, license, franchise, permit or other authorization, right, restriction or obligation to which Smith & Nephew is a party or by which Smith & Nephew or any of its properties is bound, (3) the Certificate of Formation or operating agreement of the Company or the charter or other formative documents or the bylaws (Estatutos Sociales) of S&N DonJoy Mexico, (4) any Company Agreement, (5) any Court Order to which Smith & Nephew, the Company or S&N DonJoy Mexico is a party or by which any of them or any of their respective properties is bound, or (6) any Requirements of Laws affecting Smith & Nephew, the Company or S&N DonJoy Mexico, except, in the case of clause (6), for such conflicts, breaches, defaults, events or Encumbrances which is not reasonably expected to have a Material Adverse Effect; or

(ii) require the approval, consent, authorization or act of, or the making by Smith & Nephew, the Company or S&N DonJoy Mexico of any declaration, filing or registration with, any Person, except for the filings required under the HSR Act, if any.

5.5 FINANCIAL STATEMENTS.

(a) Schedule 5.5(a) contains (i) the audited consolidated balance sheets of the Business as of December 31, 1998 and 1997 and the related audited statements of income, members' equity and cash flows of the Business for the years ended December 31, 1998, 1997 and 1996 (collectively, the "Audited Financial Statements"), (ii) the unaudited management report of operating profit and net operating assets of the Business for the period ending April 3, 1999 which have been calculated in accordance with Agreed Accounting Principles, (iii) a reconciliation statement setting forth the adjustments necessary to the Audited Financial Statements to arrive at "Net Operating Assets" as of December 31, 1998 set forth on Schedule 1.1(c) attached hereto and (iv) pro forma balance sheets, of the Business as of December 31, 1998 prepared under (A) GAAP (without adjustment to Agreed Accounting Principles) and (B) Agreed Accounting Principles setting forth the adjustments described in Section 7.7 and the adjustments necessary to eliminate the Excluded Liabilities reflected in the Balance Sheet. Except as set forth therein, the Audited Financial Statements have been prepared in conformity with GAAP applied on a consistent basis throughout the periods covered thereby and present fairly, in all material respects, the financial position and results of operations of the Business as of their respective dates and for the respective periods covered thereby.

(b) Schedule 5.5(b) contains the list included as part of Note 3 to the Audited Financial Statements setting forth the amounts allocated by Smith & Nephew as liabilities of the Business relating to expenses for certain management, financial, administrative and legal services supplied to the Business by Smith & Nephew and its Affiliates during the year ended December 31, 1998 (the "Allocated Services"). Based on the assumptions included in Schedule 5.5(b) and the reasonable judgment of Smith & Nephew, Smith & Nephew believes that if the Company had operated on a stand alone basis as an entity unaffiliated with Smith & Nephew for the year ended December 31, 1998, the expenses for the services which constituted the Allocated Services would have been reduced by approximately $2,600,000 in the aggregate for the year

ended December 31, 1998 from the aggregate amount allocated to the Allocated Services as set forth in Schedule 5.5(b); provided, however, that the foregoing shall not be deemed to constitute any representation as to the actual financial results to be achieved by the Company for any period, or the cost savings to be achieved by the Company for any period after the Closing.

5.6 OPERATIONS SINCE BALANCE SHEET DATE.

Except as set forth in Schedule 5.6, since the Balance Sheet Date, no event or condition has occurred which has had or is reasonably likely to have a Material Adverse Effect, and each of Smith & Nephew, the Company and S&N DonJoy Mexico have conducted the Business only in the ordinary course of business and the Company and S&N DonJoy Mexico have not and, with respect to the Business, Smith & Nephew has not:

(i) taken any action which has had or is reasonably likely to have a Material Adverse Effect;

(ii) declared, set aside or paid any distribution with respect to any capital stock or membership interests of the Company or S&N DonJoy Mexico, or caused any direct or indirect purchase or other acquisition of any of such capital stock or membership interests, except for distributions of cash to Smith & Nephew in the ordinary course of business;

(iii) taken any action which has resulted or is reasonably likely to result in any material change in the manner in which products or services of the Business are marketed (including, without limitation, any material change in prices), any material change in the manner in which the Business extends discounts or credit to customers or any material change in the manner or terms by which the Business deals with customers;

(iv) canceled any debts owed to or claims held by it (including the settlement of any claims or litigation) or waived any other rights held by it, other than in the ordinary course of business;

(v) paid any claims against it (including the settlement of any claims and litigation against it or the payment or settlement of any of its obligations or liabilities), other than in the ordinary course of business;

(vi) created, incurred or assumed, or agreed to create, incur or assume, any indebtedness for borrowed money (other than money borrowed or advances from Smith & Nephew or any of its Affiliates) or entered into, as lessee, any capitalized lease obligations (as defined in Statement of Financial Accounting Standards No. 13);

(vii) accelerated or delayed collection of notes or accounts receivable in advance of or beyond their regular due dates or the dates when the same would have been collected in the ordinary course of business;

(viii) delayed or accelerated payment of any of its account payable or other liability beyond or in advance of its due date or the date when such liability would have been paid in the ordinary course of business;

(ix) acquired any real property or undertaken or committed to undertake capital expenditures exceeding $1,000,000 in the aggregate;

(x) instituted any material increase in any compensation payable to any of its officer or employee or in any profit-sharing, bonus, incentive, deferred compensation, insurance, pension, retirement, medical, hospital, disability, welfare or other benefits made available to its officers or employees, other than increases pursuant to the Retention Agreements and increases that are consistent with past practice of the Business;

(xi) made any change in the Tax or accounting principles and practices used by the Company and the Business from the Agreed Accounting Principles; or

(xii) entered into any contractual obligation to any of the things referred to in clauses (i) through (xi).

5.7 CONDITION OF ASSETS.

Except as set forth in Schedule 5.7, the equipment and other tangible personal property which is material to the Business and any real property owned, leased, used or occupied by the Company or S&N DonJoy Mexico are, in all material respects, in good working order, operating condition and state of repair, ordinary wear and tear excepted.

5.8 GOVERNMENTAL PERMITS.

Except as set forth in Schedule 5.8 and except for the Environmental Permits, each of the Company and S&N DonJoy Mexico owns, holds or possesses all material licenses, franchises, permits, privileges, immunities, approvals and other authorizations from each Governmental Body which are necessary to entitle it to own or lease, operate and use its assets and to carry on and conduct the Business substantially as currently conducted including, without limitation, all material licenses, permits, registrations and other governmental approvals required under Mexican law by S&N DonJoy Mexico to operate as a maquiladora (herein collectively called "Governmental Permits"). The Governmental Permits owned, held or possessed by the Company or S&N DonJoy Mexico are in full force and effect, no violations thereof have occurred and no proceeding of any Governmental Body is pending to revoke or limit any such Governmental Permit.

5.9 REAL PROPERTY.

(a) The Company does not own, and does not hold an option to acquire, any real property. Schedule 5.9(a) contains a brief description of each parcel of real property owned by S&N DonJoy Mexico ("Owned Real Property"). S&N DonJoy Mexico does not hold an option to acquire any real property.

(b) Schedule 5.9(b) sets forth a list and brief description of each lease or similar agreement under which the Company or S&N DonJoy Mexico is lessee of, or holds or operates, any real property owned by any third Person (the "Leased Real Property").

(c) Except as set forth on Schedule 5.9(c), the Owned Real Property and the Leased Real Property constitutes all real property used or occupied by Smith & Nephew, the Company or S&N DonJoy Mexico in connection with the Business. With respect to the Owned Real Property and the Leased Real Property, except as set forth on Schedule 5.9(c) and except for Permitted Encumbrances, (i) no portion thereof is subject to any pending or, to the Knowledge of Smith & Nephew, threatened condemnation proceeding by any Governmental Body, (ii) the physical condition of the Leased Real Property and the Owned Real Property is sufficient to permit the conduct of the Business as presently conducted subject to the provision of usual and customary maintenance and repair, (iii) the Company (or S&N DonJoy Mexico, as the case may be) is the owner and holder of all of the leasehold estates purported to be granted by the leases set forth in Schedule 5.9(b), (iv) there are no written agreements to which the Company (or S&N DonJoy Mexico, as the case may be) or any Affiliate thereof is a party, granting to any Person (other than the Company or S&N DonJoy Mexico, as the case may be) the right of use or occupancy of any portion of the Leased Real Property or the Owned Real Property, (v) there are no Persons (other than the Company (or S&N DonJoy Mexico, as the case may be) or its lessees disclosed pursuant to clause (iv) above) in lawful possession of the Leased Property or the Owned Real Property, and (vi) no written notice of any increase in the assessed valuation of the Leased Real Property or the Owned Real Property and no written notice of any contemplated special assessment has been received by the Company (or S&N DonJoy Mexico, as the case may be) and, to the Knowledge of Smith & Nephew, there is no threatened increase in assessed valuation or threatened special assessment pertaining to any of the Leased Real Property or the Owned Real Property.

5.10 TAXES.

Except as set forth on Schedule 5.10, (i) Smith & Nephew has filed or caused to be filed all material Tax Returns required to have been filed on or before the date hereof with respect to the Business, the Company and S&N DonJoy Mexico and such Tax Returns are true, correct and complete in all material respects, (ii) Smith & Nephew, the Company or S&N DonJoy Mexico have thereby timely paid all Taxes shown to be due on the Tax Returns referred to in clause (i) and any other Taxes that have become due and payable have been timely paid, (iii) none of Smith & Nephew, the Company or S&N DonJoy Mexico has waived in writing any statute of limitations in respect of Taxes with respect to the Business, the Company or S&N DonJoy Mexico which waiver is currently in effect, (iv) no issues that have been raised in writing by the relevant taxing authority in connection with the examination of the Tax Returns referred to in clause (i) are currently pending, (v) all deficiencies asserted or assessments made as a result of any examination of the Tax Returns referred to in clause (i) by a taxing authority have been paid in full, (vi) the Company has not elected to be taxed as a corporation for federal income tax purposes and is eligible to be treated as a partnership for tax purposes, (vii) the Company has not incurred any liability to make any payments that either alone or in conjunction with any other payments could constitute a "parachute payment" within the meaning of Section 280G of the Code, (viii) the Company is not presently required to make any adjustments or changes either on, before or after the Closing Date, to its accounting methods, and (ix) none of the Business Assets are subject to a lien for Taxes, other than liens for Taxes not yet due and payable. S&N DonJoy Mexico is current and in compliance with all Mexican tax obligations (local, state or federal), social security contributions (without limitation payments to the Mexican Institute of Social Security (Instituto Mexicano del Seguro Social) ("IMSS"), Employees Housing Fund (Instituto

Fondo Nacional de la Vivienda para los Trabajadores) ("INFONAVIT") and the Mandatory Retirement Fund (Sistema de Ahorro para el Retiro) ("SAR")) and employees profit sharing obligations and is not a party to any action or proceeding, nor has written notification been received by Smith & Nephew, the Company or S&N DonJoy Mexico that any such action or proceeding is pending for

the assessment or recollection of Taxes.

5.11 PERSONAL PROPERTY LEASES.

Schedule 5.11 contains as of the date of this Agreement a brief description of each lease or other agreement or right, whether written or oral, under which the Company or S&N DonJoy Mexico is lessee of, or holds or operates, any machinery, equipment or other tangible personal property owned by a third Person, except those which are terminable by the Company or S&N DonJoy Mexico without penalty on 60 days' or less notice or which provide for annual rentals of less than $100,000.

5.12 NO UNDISCLOSED LIABILITIES.

Except as set forth in Schedule 5.12 or as reflected on the Balance Sheet, to the Knowledge of Smith & Nephew, as of the Balance Sheet Date, neither the Company nor S&N DonJoy Mexico was subject to, and there was not with respect to the Business, any material liability, whether absolute, contingent, accrued or otherwise. Since the Balance Sheet Date, except as set forth in Schedule 5.12, to the Knowledge of Smith & Nephew, neither the Company nor S&N DonJoy Mexico has incurred any material liability, whether absolute, contingent, accrued or otherwise, except for liabilities incurred in the ordinary course of business.

5.13 INTELLECTUAL PROPERTY.

(a) Schedule 5.13(a) contains as of the date of this Agreement a list and description of:

(i) all United States and foreign patents and patent applications, all United States, state and foreign trademarks, service marks and trade names for which registrations have been issued or applied for that are owned by or to the Knowledge of Smith & Nephew are subject to an obligation of assignment to Smith & Nephew, the Company S&N DonJoy Mexico, or a predecessor of any of these, and are used in or are intended to be used in the Business or relate solely and exclusively to the Business (the "Owned Intellectual Property");

(ii) all United States and foreign patents and patent applications, all United States, state and foreign trademarks, service marks and trade names for which registrations have been issued or applied for that are licensed to Smith & Nephew, the Company, S&N DonJoy Mexico, or a predecessor of any of these, and are used in or are intended to be used in the Business or relate solely and exclusively to the Business ("Licensed Intellectual Property");

(iii) all agreements, commitments, contracts, understandings, licenses, assignments and indemnities relating or pertaining to any asset, property or right of the

character described in the preceding clauses (i) and (ii) to which the Company or S&N DonJoy Mexico or a predecessor of either of these is a party, showing in each case the parties thereto, except for employee and inventor assignments; and

(iv) all licenses or agreements pertaining to know-how, trade secrets, inventions, disclosures or uses of ideas; copyrights (whether registered or unregistered); computer software (other than off-the-shelf computer software); rights of publicity; trademarks, service marks, trade dress or trade names (whether registered or unregistered); to which the Company or S&N DonJoy Mexico or a predecessor of either of these is a party, which are material to the conduct of the Business, showing in each case the parties thereto.

(b) Except as set forth in Schedule 5.13(b), no unresolved claims have been asserted or, to the Knowledge of Smith & Nephew, threatened against Smith & Nephew, the Company or S&N DonJoy Mexico or a predecessor of any of these, which challenge the validity, enforceability or ownership of any patent, trademark, trade name, service mark or other right or property described in Schedule 5.13.

(c) Except as set forth in Schedule 5.13(c), to the Knowledge of Smith & Nephew,

(i) the Company and S&N DonJoy Mexico own, possess all right, title and interest in, have the exclusive right to sell, license and dispose of, and have the right to bring actions for the infringement of, all rights and properties listed in Schedule 5.13(a)(i);

(ii) the Company and S&N DonJoy Mexico own or have an enforceable right to use pursuant to license, sublicense, or other agreement all

patents, know-how, trade secrets, inventions, designs, trademarks, service marks, trade dress, trade names, logos, copyrights, data compilations, computer software, and publicity rights that are material to and are currently used in the conduct of the Business;

(iii) each of Smith & Nephew, the Company and S&N DonJoy Mexico has taken reasonable and practicable steps designed to safeguard and maintain the proprietary rights of the Company and S&N DonJoy Mexico in all the Owned Intellectual Property and Licensed Intellectual Property;

(iv) the conduct of the Business as presently conducted does not infringe, misappropriate or otherwise conflict with any valid intellectual property rights of any third party that are not licensed to Smith & Nephew;

(v) none of Smith & Nephew, the Company, S&N DonJoy Mexico nor any predecessor of any of these has received from any Person in the past five years any unresolved notice, charge, complaint, claim or assertion thereof relating to infringement or misappropriation of any intellectual property right of any third-party by the Company, S&N DonJoy Mexico or any predecessor of any of these, and no such claim is impliedly threatened by an offer to license from another Person; and

(vi) none of Smith & Nephew, the Company, S&N DonJoy Mexico nor any predecessor of any of these has sent to any Person, or otherwise communicated to any Person, in the past five years any notice, charge, complaint, claim or other assertion of any infringement by or misappropriation of, or other conflict with, any Owned Intellectual Property or Licensed Intellectual Property or any property or right listed in Section 5.13(c)(ii) by such other Person, nor is any such infringement, misappropriation, or conflict occurring or threatened.

5.14 TITLE TO ASSETS.

(a) Except as set forth in Schedule 5.14, the Company and S&N DonJoy Mexico have good and marketable title to, or, in the case of property held under lease or other contract or agreement, a valid and enforceable right to use, or, in the case of Owned Real Property, own, all of their properties, rights and assets, whether tangible or intangible, including without limitation all properties, rights and assets reflected in the Balance Sheet (except as sold or otherwise disposed of since the Balance Sheet Date in the ordinary course of business) (the "Business Assets") free and clear of all Encumbrances except for Permitted Encumbrances.

(b) Except as set forth in Schedule 5.14, the Business Assets constitute all of the assets used in the conduct of the Business as currently conducted. The machinery and equipment which comprises part of the Business Assets is generally in good operating condition and repair (normal wear and tear excepted) and is suitable for the uses for which it is currently used in the Business. The machinery and equipment leased by the Company and S&N DonJoy Mexico are in such condition as to permit the surrender thereof by the Company or S&N DonJoy Mexico, as the case may be, to the lessors thereof on the date hereof without any material cost or expense for repair or restoration as if the related leases were terminated on and as of the date hereof pursuant to the terms of such leases. Smith & Nephew has delivered to Investor a true and complete listing of the fixed assets included in the Business Assets as of the Balance Sheet Date.

5.15 NO VIOLATION, LITIGATION OR REGULATORY ACTION.

Except as set forth in Schedule 5.15:

(a) each of the Company, S&N DonJoy Mexico and Smith & Nephew, with respect to the Company and the Business, has complied in all material respects with all applicable Requirements of Laws and all applicable Court Orders; and

(b) as of the date hereof, there are no lawsuits, claims, suits, arbitrations, proceedings or actions before or by any Governmental Body or arbitrator pending or, to the Knowledge of Smith & Nephew, threatened against the Company or S&N DonJoy Mexico and to the Knowledge of Smith & Nephew there are no investigations by any Governmental Body pending or threatened against the Company or S&N DonJoy Mexico.

5.16 INSURANCE.

Smith & Nephew or its Affiliates maintain, with respect to the Company and S&N DonJoy Mexico, policies of fire and extended coverage and casualty, liability and other forms of

insurance in such amounts and against such risks and losses as are in its judgment prudent and commercially reasonable.

5.17 CONTRACTS.

Except as set forth in Schedule 5.17 or any other Schedule hereto which specifically identifies such contract, as of the date of this Agreement, neither the Company nor S&N DonJoy Mexico is a party to or bound by:

(a) any contract for the purchase or sale of real property;

(b) any contract for the purchase by the Company or S&N DonJoy Mexico of supplies, raw materials or equipment which Smith & Nephew reasonably anticipates will involve the payment of more than $150,000 after the date hereof;

(c) any contract for the sale by the Company or S&N DonJoy Mexico of products of the Business or Business Assets which Smith & Nephew reasonably anticipates will involve the payment of more than $150,000 after the date hereof;

(d) any guarantee of the obligations of customers, suppliers, officers, directors, employees or Affiliates of the Company or S&N DonJoy Mexico;

(e) any agreement which provides for the incurrence by the Company or S&N DonJoy Mexico of indebtedness for borrowed money;

(f) any contract for the employment of any officer or individual employee on a full-time or part-time basis, other than the Retention Agreements and agreements with employees of S&N DonJoy Mexico;

(g) any factoring agreement or other agreement involving the sale of the accounts receivable of the Company or S&N DonJoy Mexico to a third party at a discount;

(h) any contract or group of related contracts with the same party (excluding purchase orders entered into in the ordinary course of business) for the purchase or sale of products or services under which the undelivered balance of such products and services as of the date hereof has a selling price in excess of $150,000;

(i) any contract which prohibits either the Company or S&N DonJoy Mexico from freely engaging in the Business in any material respect anywhere in the world;

(j) any contract relating to the purchase, distribution, marketing or sales of products of either the Company or S&N DonJoy Mexico or any other Person (other than purchase and sales orders entered into in the ordinary course of business consistent with past practices and the performance of which by the parties thereto is reasonably expected to be substantially completed within 60 days of the execution thereof and contracts with respect to which the amount which Smith & Nephew reasonably anticipates to be paid by or paid to the Company and S&N DonJoy Mexico in 1999 will be less than $200,000 in the aggregate); or

(k) any other contract or agreement that is material to the Company and S&N DonJoy Mexico, taken as a whole.

5.18 STATUS OF CONTRACTS.

Except as set forth in Schedule 5.18 or in any other Schedule hereto which specifically identifies such Company Agreement, each of the leases, contracts and other agreements listed in Schedules 5.9(b), 5.11, 5.13 or 5.17 (collectively, the "Company Agreements") constitutes a valid and binding obligation of the Company or S&N DonJoy Mexico and, to the Knowledge of Smith & Nephew, the other parties thereto (subject to bankruptcy, insolvency, reorganization, moratorium and similar laws of general application relating to or affecting creditors' rights and to general equity principles) and is in full force and effect. Each of the Company and S&N DonJoy Mexico has performed in all material respects all obligations required to be performed by it and neither the Company nor S&N DonJoy Mexico is in, or, to the Knowledge of Smith & Nephew, alleged to be in, breach or default under, any of the Company Agreements. To the Knowledge of Smith & Nephew, no other party to any of the Company Agreements is in material breach or material default thereunder and no event has occurred and no condition or state of facts exists which, with the passage of time or the giving of notice or both, would constitute such a default or breach by the Company or S&N DonJoy Mexico or, to the Knowledge of Smith & Nephew, by any such other party. Complete and correct copies of each of the Company Agreements have heretofore been made available to Investor by Smith & Nephew.

5.19 EMPLOYEE BENEFIT PLANS.

(a) Schedule 5.19 contains a complete list of each Company Plan. Smith & Nephew has made available to Investor copies of all such Company Plans.

(b) None of Smith & Nephew, the Company or S&N DonJoy Mexico has been required, at any time during the six-year period ending on the Closing Date, to contribute to any Multiemployer Plan with respect to the Business, and no withdrawal liability has been incurred by or asserted during such period against Smith & Nephew, the Company or S&N DonJoy Mexico under Title IV of ERISA.

(c) Except as set forth in Schedule 5.19, (i) for each Company Plan that is a "pension plan" within the meaning of section 3(2) of ERISA that is intended to satisfy the provisions of section 401(a) of the Code, Smith & Nephew has obtained a favorable determination letter from the IRS to such effect, (ii) to the knowledge of Smith & Nephew, none of such determination letters has been revoked by the IRS nor has the IRS given any written notice to Smith & Nephew that it intends to revoke any such determination letter, (iii) no Company Plan that is a funded pension plan and no trust established thereunder has any accumulated funding deficiency within the meaning of section 302(a) of ERISA and section 412 of the Code, (iv) no material reportable event within the meaning of section 4043 of ERISA or material prohibited transaction within the meaning of section 406 of ERISA has occurred with respect to any Company Plan and no material tax has been imposed pursuant to section 4975 or section 4976 of the Code in respect thereof, and (v) none of Smith & Nephew, the Company or S&N DonJoy Mexico has incurred any material liability to the Pension Benefit Guaranty

Corporation with respect to any Company Plan which is a pension plan subject to Title IV of ERISA other than liability for premiums.

(d) Except as set forth in Schedule 5.19, there are no material claims pending by or on behalf of any Company Plan, by any employee or beneficiary covered under any Company Plan, or otherwise involving any Company Plan (other than routine claims for benefits).

(e) Each Company Plan has been operated and administered in accordance with its terms and compliance with ERISA and the Code in all material respects.

5.20 NO FINDER.

Neither Smith & Nephew nor any Person acting on its behalf has incurred any liability for any fee or commission to any broker, finder or intermediary for or on account of the transactions contemplated by this Agreement, other than to Chase Securities Inc., whose fees and expenses shall be paid by Smith & Nephew.

5.21 LABOR RELATIONS; EMPLOYEES.

(a) Schedule 5.21 sets forth a list of all employees of the Business as of the date hereof whose base compensation exceeds $100,000, together with their respective names, titles, salaries, bonuses, retention payments or other compensation (if any) in the year ended December 31, 1998, and the respective dates on which each of them commenced employment. To the extent any such employee is on a leave of absence, Schedule 5.21 indicates the nature of such leave of absence and such employee's anticipated date of return to active employment. Except as set forth in Schedule 5.21, no employee who would have been listed in Schedule 5.21 if employed in the Business on the date hereof left the service of the Business within the six-month period immediately preceding the date hereof.

(b) Except as set forth on Schedule 5.21,(i) the Company and S&N DonJoy Mexico generally enjoy good relations with their employees, and there is no labor strike, dispute, slowdown or stoppage actually pending or, to the Knowledge of Smith & Nephew, threatened against or involving the Business, and (ii) neither the Company nor S&N DonJoy Mexico is a party to or bound by any collective bargaining agreement, union contract or similar agreement, no such agreement is currently being negotiated by either the Company or S&N DonJoy Mexico, and to the Knowledge of Smith & Nephew, no labor union has taken any action with respect to organizing employees of either the Company nor S&N DonJoy Mexico and no representation question exists with respect to any such employees.

5.22 SUPPLIERS AND VENDORS.

Except in the ordinary course of business, no material supplier or vendor who supplied more than $100,000 of goods or services to the Business in 1998 has notified Smith & Nephew, the Company or S&N DonJoy Mexico in writing that it has canceled or otherwise terminated, or, to the Knowledge of Smith & Nephew, threatened to cancel or otherwise terminate, its relationship with such company with respect to the Business or has materially decreased, materially limited or

otherwise materially modified, or, to the Knowledge of Smith & Nephew,

threatened to materially decrease, materially limit or otherwise materially modify, the services, supplies or materials it provides to such company with respect to the Business.

5.23 CUSTOMERS.

Except as set forth on Schedule 5.23, no customer of the Business to which more than $50,000 of sales in 1998 were attributable has notified Smith & Nephew, the Company or S&N DonJoy Mexico in writing that it intends to, or, to the Knowledge of Smith & Nephew, has threatened to, terminate or materially curtail its relationship and dealings with such company with respect to the Business.

5.24 YEAR 2000.

To the Knowledge of Smith & Nephew, except as set forth in Schedule 5.24, the software and hardware used by Smith & Nephew, the Company or S&N DonJoy Mexico in the conduct of the Business as presently conducted that contains or relies upon a calendar function, provides specific dates or calculates spans of dates, is able to record, store, process and provide true and accurate dates and calculations for dates and spans of dates including and following January 1, 2000.

5.25 ACCOUNTS AND NOTES RECEIVABLE.

Except as set forth on Schedule 5.25, all of the accounts receivable and notes receivable owing to the Business as of the date hereof constitute valid and enforceable claims arising from bona fide transactions in the ordinary course of business, and there are no known or asserted claims, refusals to pay or other rights to set-off against any thereof. Except as set forth on Schedule 5.25, as of the Balance Sheet Date, there is to the Knowledge of Smith & Nephew with respect to the Business (i) no account debtor or note debtor that is in excess of credit terms for payments in excess of $100,000 in the aggregate (ii) no account debtor or note debtor that has refused to pay its obligations to the Business for any reason, or has otherwise made a claim of set-off or similar claim (other than in amounts not in excess of $50,000 per account debtor or $100,000 in the aggregate), and (iii) no account debtor or note debtor that owes the Business amounts in excess of $50,000 in the aggregate that is insolvent or bankrupt.

5.26 RELATED PARTY TRANSACTIONS.

Except (i) as set forth on Schedule 5.26, (ii) for the Smith & Nephew Ancillary Agreements, (iii) for compensation to bona-fide employees of the Business for services rendered in the ordinary course of business and (iv) for contracts, agreements and arrangements involving payment of less than $75,000 in any fiscal year, no current or former Affiliate of Smith & Nephew, the Company or S&N DonJoy Mexico is now or has been during the last three fiscal years party to any transaction or contract with respect to the Business with the Company or S&N DonJoy Mexico or Smith & Nephew, including, but not limited to any contract, agreement or arrangement for the furnishing of services by, or rental of real or personal property from, or otherwise requiring payments to any such Affiliate.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF INVESTOR

As an inducement to Smith & Nephew to enter into this Agreement and to consummate the transactions contemplated hereby, Investor hereby represents and warrants to Smith & Nephew as follows:

6.1 ORGANIZATION OF INVESTOR.

Investor is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and has the requisite limited liability company power and authority to own or lease and to operate and use its properties and assets and to carry on its business as now conducted.

6.2 AUTHORITY OF INVESTOR.

(a) Investor has the requisite limited liability company power and authority to execute, deliver and perform this Agreement and all of the Investor

Ancillary Agreements and to consummate the transactions contemplated hereby or thereby. The execution, delivery and performance of this Agreement and the Investor Ancillary Agreements by Investor have been duly authorized and approved by Investor's managers and do not require any further authorization or consent of Investor or its members. This Agreement has been duly authorized, executed and delivered by Investor and (assuming the valid authorization, execution and delivery of this Agreement by Smith & Nephew and the Company) is the legal, valid and binding agreement of Investor enforceable against Investor in accordance with its terms, and each of the other Investor Ancillary Agreements has been duly authorized by Investor and upon execution and delivery by Investor (assuming the valid authorization, execution and delivery thereof by the other party or parties thereto) will be a legal, valid and binding obligation of Investor enforceable against Investor in accordance with its terms, in each case subject to bankruptcy, insolvency, reorganization, moratorium and similar laws of general application relating to or affecting creditors' rights and to general equity principles.

(b) Neither the execution and delivery of this Agreement or any of the Investor Ancillary Agreements or the consummation of any of the transactions contemplated hereby or thereby nor compliance with or fulfillment of the terms, conditions and provisions hereof or thereof will:

(i) conflict with, result in a breach of the terms, conditions or provisions of, or constitute a default (with or without notice or lapse of time, or both), an event of default or an event creating rights of acceleration, termination or cancellation or a loss of rights under (1) the Certificate of Formation or operating agreement of Investor, (2) any note, instrument, agreement, mortgage, lease, license, franchise, permit or other authorization, right, restriction or obligation to which Investor is a party or by which Investor or any of its properties is bound, (3) any Court Order to which Investor is a party or by which Investor or any of its properties is bound or (4) any Requirements of Laws affecting Investor, except, in the case of clause (3), for such conflicts, breaches, defaults,

events or Encumbrances which would not have a material adverse effect on the assets, business, results of operations or financial condition of Investor and its subsidiaries, taken as a whole, and would not impair in any material respect the ability of Investor to perform its obligations under this Agreement or consummate the transactions contemplated hereby, or

(ii) require the approval, consent, authorization or act of, or the making by Investor of any declaration, filing or registration with, any Person, except for the filings required under the HSR Act, if any.

6.3 FINANCIAL COMMITMENTS.

Complete and correct copies of the funding commitments for equity and debt financing are included in Schedule 6.3, which are in amounts sufficient to enable Investor to consummate the transactions contemplated by this Agreement to be performed by Investor and in amounts sufficient to enable the Company (and the Operating Subsidiary) to consummate the transactions contemplated by this Agreement to be performed by the Company (and the Operating Subsidiary).

6.4 INVESTMENT INTENT.

Investor is acquiring the New Membership Interest as an investment for its own account and not with a view to the distribution or sale thereof and is an "accredited investor" within the meaning of Regulation D promulgated under the Securities Act of 1933, as amended.

6.5 NO FINDER.

Neither Investor nor any Person acting on its behalf has paid or become obligated to pay any fee or commission to any broker, finder or intermediary for or on account of the transactions contemplated by this Agreement, except for the Persons listed on Schedule 6.5, the fees and expenses of which shall be paid by Investor.

ARTICLE VII

ACTION PRIOR TO THE CLOSING DATE

The respective parties hereto covenant and agree to take the following actions between the date hereof and the Closing Date:

7.1 INVESTIGATION.

Smith & Nephew shall (and shall cause the Company and S&N DonJoy Mexico

to) afford to the officers, employees and authorized representatives of Investor (and its potential financing sources who agree to be bound by the provisions of Section 14.2),including, without limitation, independent public accountants and attorneys, reasonable access during normal business hours upon reasonable advance notice to the offices, properties, employees and business and financial records (including computer files, retrieval programs and similar documentation) of the Company and S&N DonJoy Mexico as and to the extent Investor and such other Persons

shall reasonably deem necessary or desirable in the course of their investigation of the Company and S&N DonJoy Mexico and shall furnish to Investor and its potential financing sources or its or their authorized representatives such additional information concerning the Company and S&N DonJoy Mexico as shall be reasonably requested; provided, however, that Smith & Nephew shall not be required to violate any obligation of confidentiality to which it, or the Company or S&N DonJoy Mexico is subject in discharging its obligations pursuant to this Section 7.1. Investor agrees that such investigation shall be conducted in such a manner as not to interfere unreasonably with the operations of Smith & Nephew, the Company or S&N DonJoy Mexico.

7.2 PRESERVE ACCURACY OF REPRESENTATIONS AND WARRANTIES.

Each of the parties hereto shall refrain from taking any action which would render any representation or warranty contained in this Agreement inaccurate as of the Closing Date. Each party shall promptly notify the other of any action, suit or proceeding that shall be instituted or threatened against such party to restrain, prohibit or otherwise challenge the legality of any transaction contemplated by this Agreement. Prior to the Closing, each party will give the other prompt written notice upon becoming aware of any material breach of or material inaccuracy in any representation or warranty of such notifying party; provided, however, that no such disclosure shall be deemed to amend any Schedule hereto, or prevent or cure any breach of or inaccuracy in, or disclose any exception to, any of the representations and warranties set forth herein or relieve such other party of any liability pursuant to this Agreement.

7.3 CONSENTS OF THIRD PARTIES; GOVERNMENTAL APPROVALS; FINANCING.

(a) Smith & Nephew (and Smith & Nephew shall cause the Company and S&N DonJoy Mexico to) and Investor will act diligently and reasonably to secure, before the Closing Date, the consent, approval or waiver, in form and substance reasonably satisfactory to Investor, from any party to any Company Agreement required to be obtained to satisfy the conditions set forth in Section 9.4; provided that neither Smith & Nephew nor Investor shall have any obligation to offer or pay any consideration in order to obtain any such consents or approvals.

(b) During the period prior to the Closing Date, Smith & Nephew (and Smith & Nephew shall cause the Company and S&N DonJoy Mexico to) and Investor shall act diligently and reasonably, and shall cooperate with each other, to secure as soon as practicable any consents and approvals of any Governmental Body required to be obtained by them in order to permit the consummation of the transactions contemplated by this Agreement.

(c) Investor shall act diligently and reasonably to cause the Company and the Operating Subsidiary to obtain the financing described in the funding commitments set forth in Schedule 6.3. In the event that the Senior Subordinated Notes (as defined in such funding commitments) cannot be issued, Investor shall use diligent and reasonable efforts to cause the Operating Subsidiary to borrow not less than $100,000,000 under the Senior Subordinated Facility (as defined in such funding commitments) for purposes of consummating the transactions contemplated by this Agreement.

7.4 OPERATIONS PRIOR TO THE CLOSING DATE.

(a) Smith & Nephew shall cause the Company and S&N DonJoy Mexico to operate and carry on the Business only in the ordinary course of business substantially as presently operated and consistent with past practice. Consistent with the foregoing, Smith & Nephew shall cause each of the Company and S&N DonJoy Mexico to use its reasonable efforts consistent with good business practice to preserve the goodwill of the suppliers, employees, customers and others having business relations with it.

(b) Without limiting Section 7.4(a), except as set forth on Schedule 7.4, except as expressly contemplated by this Agreement or except with the express written approval of Investor (which Investor agrees shall not be unreasonably

withheld or delayed), Smith & Nephew shall cause the Company and S&N DonJoy Mexico to not:

(i) make any material change in the Business or the operations of the Company or S&N DonJoy Mexico;

(ii) enter into any contract for the purchase of real property or exercise any option to extend a lease listed in Schedule 5.9(b);

(iii) create, incur, assume or guarantee, or agree to create, incur, assume or guarantee, any indebtedness for borrowed money (other than money borrowed from or advances from Smith & Nephew or any of its Affiliates in the ordinary course of business);

(iv) institute any material increase in any profit-sharing, bonus, incentive, deferred compensation, insurance, pension, retirement, medical, hospital, disability, welfare or other employee benefit plan with respect to its employees, except as provided in the Retention Agreements;

(v) make any material change in the compensation of its employees, other than changes made in accordance with normal compensation practices and consistent with past compensation practices, except as provided in the Retention Agreements;

(vi) make any material change in accounting policies from the Agreed Accounting Principles;

(vii) sell, lease to others or otherwise dispose of any of its assets (except for sales in the ordinary course of business);

(viii) change or amend the Company's Certificate of Formation or operating agreement, except for the Amended and Restated Operating Agreement, or S&N DonJoy Mexico's charter or other formative documents or by-laws;

(ix) issue or sell any of its capital stock or other securities, acquire directly or indirectly, by redemption or otherwise, any such capital stock, reclassify or split-up any such capital stock or grant or enter into any options, warrants, calls or commitments of any kind with respect thereto;

(x) fail to use reasonable efforts to keep the policies of fire and extended coverage and casualty, liability and other forms of insurance coverage maintained by Smith & Nephew or its Affiliates with respect to the Company and S&N DonJoy Mexico as of the date hereof or comparable insurance in effect through the Closing Date;

(xi) acquire any capital stock or other equity securities of any corporation or acquire any equity or ownership interest in any business;

(xii) fail to use commercially reasonable efforts to maintain the condition of all material Business Assets;

(xiii) make any Tax election, change any Tax accounting method or file any Tax Returns in a manner that is inconsistent with past practice; and

(xiv) agree, whether in writing or otherwise, to do any of the foregoing.

7.5 ANTITRUST LAW COMPLIANCE.

To the extent required, as promptly as practicable after the date hereof, Investor and Smith & Nephew shall file with the Federal Trade Commission and the Antitrust Division of the Department of Justice (and, if applicable, state antitrust authorities or competition authorities of any other jurisdiction) the notifications and other information required to be filed under the HSR Act, or any rules and regulations promulgated thereunder or under any other Requirements of Law, with respect to the transactions contemplated hereby. Each party warrants that all such filings by it will be, as of the date filed, true and accurate and in accordance with the requirements of the HSR Act and any such rules and regulations. Each of Investor and Smith & Nephew agrees to make available to the other such information as each of them may reasonably request relative to its business, assets and property (including, in the case of Smith & Nephew, the Company and S&N DonJoy Mexico) as may be required of each of them to file any additional information requested by such agencies under the HSR Act and any such rules and regulations. Any filing fees payable in connection with the notifications or filings described in this Section 7.5 shall be paid by Investor.

7.6 ACQUISITION TRANSACTIONS.

(a) From and after the date hereof until the earlier of the Closing Date or the termination of the Agreement, without the written consent of the Investor, neither Smith & Nephew, the Company nor S&N DonJoy Mexico shall, directly or indirectly:

(i) solicit, initiate discussions or engage in negotiations with any Person (whether such negotiations are initiated by Smith & Nephew or otherwise), other than Investor, its Affiliates and their respective designees and agents, relating to the possible acquisition, whether by way of merger, reorganization, purchase of capital stock, purchase of assets or otherwise (any such acquisition being referred to in this Section 7.6 as an "Acquisition Transaction"), of any interest in the Business or any equity interest of the Company or S&N DonJoy Mexico; provided, however, that the acquisition by any Person of the capital stock or assets of Smith & Nephew or any of its Affiliates, other than the capital stock or assets of the Company or S&N DonJoy Mexico, shall not

constitute an "Acquisition Transaction" for purposes of this Agreement; and provided, further, that sales of product or inventory or other property in the ordinary course of the Business shall not be a violation of this Section 7.6;

(ii) provide information with respect to the Business or the capital stock of the Company or S&N DonJoy Mexico to any Person in connection with a possible Acquisition Transaction involving such Person, other than Investor, its Affiliates and their respective designees and agents; or

(iii) enter into any agreement with any Person, other than Investor, its Affiliates and their respective designees and agents, with respect to an Acquisition Transaction.

If Smith & Nephew, the Company or S&N DonJoy Mexico receives an unsolicited written offer or proposal relating to a possible Acquisition Transaction, Smith & Nephew shall promptly notify Investor and provide information to Investor as to the identity of the Person making any such offer or proposal and the material terms of such offer or proposal.

(b) The parties recognize and acknowledge that a breach by the Seller of Section 7.6(a) may cause irreparable and material loss and damage for Investor, the amount of which cannot be readily determinable and as to which it will not have any adequate remedy at law or in damages. Accordingly, in addition to any remedy Investor may have in damages by an action at law, it shall be entitled to the issuance of an injunction restraining any such breach or any other remedy at law or in equity for any such breach.

7.7 CERTAIN ASSETS AND LIABILITIES.

Prior to the Closing Date, Smith & Nephew shall cause the assets listed under "Cash" and the liabilities listed under "Current and deferred income taxes due to Parent" and "Restructuring reserve" on the Balance Sheet to be canceled and shall cause the amounts listed under "Intercompany obligations, less current portion" on the Balance Sheet to be capitalized and transferred to "Members Equity."

ARTICLE VIII

ADDITIONAL AGREEMENTS

8.1 TAX MATTERS.

(a) Liability for Taxes.

(i) Smith & Nephew shall be liable for and pay, and pursuant to Article XI (and subject to the limitations thereof) shall indemnify Investor, the Company and S&N DonJoy Mexico against, all Taxes applicable to the Business or for which the Company or S&N DonJoy Mexico may otherwise be liable (including any liability pursuant to Treas. Req. Section 1.1502-6 or similar provisions of state or local law), in each case, for any taxable year or period that ends on or before the Closing Date and, with respect to any Straddle Period, the portion of such Straddle Period ending on and including the Closing

Date, provided, however, that Smith & Nephew shall not be liable for or pay, and shall not indemnify Investor, the Company and S&N DonJoy Mexico against, (I) any Taxes shown as a liability or reserve on the Valuation Date Balance Sheet, (II) any Taxes that result from any actual or deemed election under Section 338 of the Code or any similar provisions of state, local or foreign law as a result of the purchase of shares of S&N DonJoy Mexico, and (III) any Taxes applicable to the Business or for which the Company or S&N DonJoy Mexico may otherwise be liable as a result of transactions occurring on the Closing Date that are properly allocable (based on the factors set forth in Treas. Reg. Section 1.1502-76(b)(1)(ii)(B)) to the portion of the Closing Date after the Closing (Taxes described in this proviso, hereinafter "Excluded Taxes"). Investor and Smith & Nephew agree that, with respect to any transaction described in clause (III) of the preceding sentence, the Company and all persons related to the Company under Section 267(b) of the Code immediately after the Closing shall treat such transaction for all federal income Tax purposes (in accordance with Treas. Reg. Section 1.1502-76(b)(1)(ii)(B)), and (to the extent permitted) for other income Tax purposes, as occurring at the beginning of the day following the Closing Date. Smith & Nephew shall be entitled to any refund of (or credit for) Taxes, other than Excluded Taxes paid or credited to Investor, the Company or S&N DonJoy Mexico, allocable to any taxable year or period that ends on or before the Closing Date and, with respect to any Straddle Period, the portion of such Straddle Period ending on and including the Closing Date.

(ii) The Company shall be liable for and pay, and pursuant to Article XI (and subject to the limitations thereof) shall indemnify Smith & Nephew against, (A) all Taxes applicable to the Business, or for which the Company or S&N DonJoy Mexico may otherwise be liable, for any taxable year or period that begins after the Closing Date and, with respect to any Straddle Period, the portion of such Straddle Period beginning after the Closing Date and (B) Excluded Taxes. Except as otherwise provided herein, the Company shall be entitled to any refund of (or credit for) Taxes allocable to any taxable year or period that begins after the Closing Date and, with respect to any Straddle Period, the portion of such Straddle Period beginning after the Closing Date and with respect to Excluded Taxes.

(iii) For purposes of paragraphs (a)(i) and (a)(ii), whenever it is necessary to determine the liability for Taxes for a Straddle Period, the determination of the Taxes applicable to the portion of the Straddle Period ending on and including, and the portion of the Straddle Period beginning after, the Closing Date shall be determined by assuming that the Straddle Period consisted of two taxable years or periods, one which ended at the close of the Closing Date and the other which began at the beginning of the day following the Closing Date, and items of income, gain, deduction, loss or credit for the Straddle Period shall be allocated between such two taxable years or periods on a "closing of the books basis" by assuming that the books of the Company or S&N DonJoy Mexico were closed at the close of the Closing Date, provided, however, that (I) transactions occurring on the Closing Date that are properly allocable (based on the factors set forth in Treas. Reg. Section 1.1502-76(b)(1)(ii)(B)) to the portion of the Closing Date after the Closing shall be allocated to the taxable year or period that is deemed to begin at the beginning of the day following the Closing Date, and (II) exemptions, allowances, deductions and Taxes (such as real or personal property Taxes) that are calculated on an annual basis, such as

the deduction for depreciation, shall be apportioned between such two taxable years or periods on a daily basis.

(iv) Notwithstanding anything herein to the contrary, Investor shall pay, and shall indemnify each Smith & Nephew Group Member against, any real property transfer or gains Tax, sales Tax, use Tax, value-added Tax, stamp Tax, stock transfer Tax, or other similar Tax imposed on the transactions contemplated by this Agreement.

(b) Tax Returns.

(i) Smith & Nephew shall file or cause to be filed when due (taking into account all extensions properly obtained) in a manner consistent with past practices and in accordance with applicable Requirements of Law all Tax Returns that are required to be filed by or with respect to the Business, the Company and S&N DonJoy Mexico for taxable years or periods ending on or before the Closing Date and Smith & Nephew shall remit or cause to be remitted any Taxes due in respect of such Tax Returns, and the Company shall file or cause to be filed when

due (taking into account all extensions properly obtained) all Tax Returns that are required to be filed by or with respect to the Business, the Company and S&N DonJoy Mexico for taxable years or periods ending after the Closing Date and the Company shall remit or cause to be remitted any Taxes due in respect of such Tax Returns. Smith & Nephew or the Company shall pay the other party for the Taxes for which Smith & Nephew or the Company, respectively, is liable pursuant to paragraph (a) of this Section 8.1 but which are payable with any Tax Return to be filed by the other party pursuant to this paragraph (b) upon the written request of the party entitled to payment, setting forth in detail the computation of the amount owed by Smith & Nephew or the Company, as the case may be, but in no event earlier than 10 days prior to the due date for paying such Taxes.

(ii) None of Investor or the Company or any Affiliate of Investor or the Company shall (or shall cause or permit the Company or S&N DonJoy Mexico to) amend, refile or otherwise modify (or grant an extension of any statute of limitation with respect to) any Tax Return relating in whole or in part to the Business, the Company or S&N DonJoy Mexico with respect to any taxable year or period ending on or before the Closing Date (or with respect to any Straddle Period) without the prior written consent of Smith & Nephew, which consent may be withheld in the reasonable discretion of Smith & Nephew or unless required by applicable Requirements of Law (it being understood that withholding of such consent shall be deemed reasonable if any such action will materially increase Smith & Nephew's liability for Taxes).

(c) Contest Provisions. The Company shall promptly notify Smith & Nephew in writing upon receipt by it, any of its Affiliates or S&N DonJoy Mexico of notice of any pending or threatened federal, state, local or foreign Tax audits, examinations or assessments which might affect the Tax liabilities for which Smith & Nephew may be liable pursuant to paragraph (a) of this Section 8.1.

Smith & Nephew shall have the sole right to represent the Company's and S&N DonJoy Mexico's interests in any Tax audit or administrative or court proceeding relating to

taxable periods ending on or before the Closing Date or otherwise relating to Taxes for which Smith & Nephew may be liable pursuant to paragraph (a) of this Section 8.1, and to employ counsel of its choice at its expense; provided, however, that Smith & Nephew shall provide timely notice to the Company of any significant developments with respect to any such audit or proceeding; and provided, further that the Company and its representatives shall be permitted, at the Company's expense, to be present at, and participate in, any such audit or proceeding (not including any such audit or proceeding relating to income Taxes of Smith & Nephew). In the case of a Straddle Period, Smith & Nephew shall be entitled to participate at its expense in any Tax audit or administrative or court proceeding relating (in whole or in part) to Taxes attributable to the portion of such Straddle Period ending on and including the Closing Date and, with the written consent of the Company, and at Smith & Nephew's sole expense, may assume the entire control of such audit or proceeding. Notwithstanding the foregoing, Smith & Nephew shall not be entitled to settle, either administratively or after the commencement of litigation, any claim for Taxes which could adversely affect the liability for Taxes of the Company, S&N DonJoy Mexico or Investor for any period after the Closing Date to any extent without the prior written consent of the Company, which consent the Company may not unreasonably withhold. Notwithstanding the foregoing, none of Investor, any of its Affiliates, the Company or S&N DonJoy Mexico may settle any Tax claim for any Taxes for which Smith & Nephew may be liable pursuant to paragraph (a) of this Section 8.1, without the prior written consent of Smith & Nephew, which consent may not be unreasonably withheld.

(d) Assistance and Cooperation. After the Closing Date, each of Smith & Nephew, the Company and Investor shall (and shall cause their respective Affiliates to):

(i) assist the other party in preparing any Tax Returns which such other party is responsible for preparing and filing in accordance with paragraph (b) of this Section 8.1;

(ii) cooperate fully in preparing for any audits of, or disputes with taxing authorities regarding, any Tax Returns of the Company and S&N DonJoy Mexico or otherwise relating to the Business;

(iii) make available to the other and to any taxing authority as reasonably requested all information, records, and documents relating to Taxes of the Business, the Company and S&N DonJoy Mexico;

(iv) provide timely notice to the other in writing of any pending or threatened Tax audits or assessments of the Company and S&N DonJoy

Mexico for taxable periods for which the other may have a liability under this Section 8.1;

(v) furnish the other with copies of all correspondence received from any taxing authority in connection with any Tax audit or information request with respect to any such taxable period;

(vi) timely sign and deliver such certificates or forms as may be necessary or appropriate to establish an exemption from (or otherwise reduce), or file Tax Returns

or other reports with respect to, Taxes described in paragraph (a)(iv) of this Section 8.1 (relating to sales, transfer and similar Taxes); and

(vii) timely provide to the other powers of attorney or similar authorizations necessary to carry out the purposes of this Section 8.1.

(e) Election under Section 338 for S&N DonJoy Mexico. Smith & Nephew and Investor agree that Investor shall not make any election under Section 338 of the Code or under any applicable similar provision of state or foreign law with respect to S&N DonJoy Mexico.

8.2 USE OF NAMES.

Smith & Nephew is not granting Investor or the Company or S&N DonJoy Mexico a license to use any of Smith & Nephew's tradenames or trademarks (including, without limitation, "Smith & Nephew"), and Investor shall not permit the Company or S&N DonJoy Mexico to use in any manner after the Closing any names or marks of Smith & Nephew or any of Smith & Nephew's Affiliates or any word that is similar in sound or appearance to such names or marks. Investor acknowledges that Smith & Nephew and its Affiliates would be irreparably harmed by any breach of this Section 8.2 and that any relief under Article XI will be inadequate to compensate Smith & Nephew or such Affiliates for any such breach. Accordingly, Investor agrees that, in addition to any relief available under Article XI, Smith & Nephew and its Affiliates shall be entitled, without the necessity of proving actual damages or posting any bond, to injunctive relief against Investor and any involved Affiliates of Investor in the event of any breach or threatened breach by Investor (or its Affiliates) of its covenants and agreements in this Section 8.2 and Investor (on behalf of itself and its Affiliates) consents to the entry thereof. Notwithstanding any provision of this Agreement, the Company and S&N DonJoy Mexico shall have the right to distribute materials marked with tradenames or trademarks of Smith & Nephew printed on such materials prior to the Closing Date, provided that commencing with the 90th day after the Closing Date and until the first anniversary of the Closing Date, Investor shall cause the Company and S&N DonJoy Mexico where feasible to remove such names and marks or to indicate thereon prior to any use thereof the change in the ownership of the Company and S&N DonJoy Mexico and, in any event, on and after the first anniversary of the Closing Date, Investor shall cause the Company and S&N DonJoy Mexico to remove such names and marks. Investor agrees that promptly after the Closing Date it shall cause S&N DonJoy Mexico to change its corporate name to a name that does not include the words "Smith & Nephew" or "S&N" or any variations thereof.

8.3 EMPLOYEE MATTERS.

On or before the Closing Date, all individuals who are employed by Smith & Nephew with respect to the Business, including all such employees who are on a leave of absence for any reason other than employees who have applied for or are receiving long-term disability benefits, shall become employees of the Company. Nothing in this Agreement shall be interpreted as giving any employee any right to be employed by the Company or S&N DonJoy Mexico after the Closing Date for any period of time or to enforce any provision of this Agreement, whether as a third-party beneficiary or otherwise. Investor shall not cause or allow the Company to take any action after the Closing Date which results in the imposition on the Company of any

liabilities under the Workers' Adjustment and Retraining Notification Act. From and after the Closing Date, persons who are employed by the Company or S&N DonJoy Mexico shall not participate in or have any rights with respect to employee benefit programs of Smith & Nephew, except to the extent otherwise provided pursuant to the terms of such programs.

8.4 COMPENSATION AND EMPLOYEE BENEFIT PLAN MATTERS.

(a) Except as otherwise provided in this Section 8.4, neither Investor nor the Company shall assume any Company Plan maintained by Smith & Nephew prior to the Closing Date. On and after the Closing Date, S&N DonJoy Mexico shall continue to maintain and be responsible for all liabilities under each Company Plan maintained by S&N DonJoy Mexico prior to the Closing Date and Smith & Nephew shall have no obligations or liability with respect to such Company Plans.

(b) During the period from the Closing Date through the date that is six months after the Closing Date, Investor shall cause the Company or S&N DonJoy Mexico, as the case may be, to pay wages and salaries to, and provide employee benefit programs on behalf of, Current Employees that are no less favorable in the aggregate than the compensation and benefits which such Current Employees were entitled to receive immediately before the Closing Date; provided, that a discretionary profit sharing plan shall be considered no less favorable than the Smith & Nephew U.S. Pension Plan for purposes of this Agreement. Investor shall have no obligation to cause the Company to maintain any defined benefit plan after the Closing Date. The Company and S&N DonJoy Mexico shall pay, perform and discharge when due any and all liabilities, obligations or commitments relating to or arising under all compensation and employee benefit programs maintained by the Company or S&N DonJoy Mexico on or after the Closing Date. Investor's (or the Company's) benefit programs shall for purposes of determining eligibility to participate and vesting and for purposes of computing benefits (but subject to an offset, if necessary, to avoid duplication of benefits), take into account all employment of Current Employees by Smith & Nephew or any ERISA Affiliate. Investor shall (or shall cause the Company to) credit Current Employees with all health plan deductibles and co-payments paid with respect to the 1999 plan year to the extent such amounts would have been taken into account under a Company Plan prior to the Closing.

(c) Investor shall take any and all actions as it shall deem necessary or appropriate to cause the Current Employees who are eligible to participate in the Smith & Nephew U.S. Savings Plan prior to the Closing Date to be eligible to participate, as of the Closing Date, in a defined contribution plan which is tax-qualified under section 401(a) of the Code ("Investor's Savings Plan"). Smith & Nephew and Investor shall, as soon as is practicable after the Closing Date, take any and all action as shall be necessary to cause the Smith & Nephew U.S. Savings Plan to transfer to Investor's Savings Plan the account balances (including outstanding loans) and assets relating thereto held under the Smith & Nephew U.S. Savings Plan in respect of the Current Employees who have not by the date of transfer received a distribution of their accounts thereunder. Upon the acceptance of such assets by Investor's Savings Plan, Investor's Savings Plan shall assume the liabilities of the Smith & Nephew U.S. Savings Plan to the Current Employees for whom such assets were transferred.

(d) Investor shall cause the Company, a successor employer for federal, state and local withholding and employment Taxes, to assume Smith & Nephew's responsibilities as predecessor employer for filing all federal, state and local withholding income tax and employment tax returns and to furnish for the 1999 calendar year Forms W-2 and similar forms relating to all Current Employees formerly employed by Smith & Nephew for such year that are due after the Closing Date. Investor shall assume such responsibility in accordance with the alternative procedure described in Section 5 of Revenue Procedure 96-60. Smith & Nephew shall comply with all of the requirements set forth in such alternative procedure that are imposed on a predecessor employer and Investor shall cause the Company to comply with all of the requirements set forth in such procedure that are imposed on a successor employer. Smith & Nephew shall provide information and data to the Company upon request with respect to the wages of Current Employees and related payroll Taxes for the 1999 calendar year through the last regular wage payment prior to the Closing Date in order for the Company to file timely and proper tax returns and forms for such year. Nothing in this Section 8.4(d) shall limit Smith & Nephew's (i) liability for Taxes pursuant to Section 8.1 or (ii) obligations to indemnify Investor, the Company or S&N DonJoy Mexico pursuant to Section 11.1.

(e) After the Closing, the Company shall be liable for and shall perform all obligations of Smith & Nephew under the Retention Agreement, except that Smith & Nephew shall remain liable for and shall pay any amounts due and owing under the Retention Agreements with respect to any "Retention Bonuses" or "Special Sale Bonuses" (each as described in the section entitled "Compensation and Benefits" of the Retention Agreements).

(f) Smith & Nephew shall be responsible for providing health care continuation coverage pursuant to the requirements of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), to the extent required by COBRA, for all former employees of the Business and/or their dependents who were receiving health care continuation coverage or who had a "qualifying event" under COBRA prior to the Closing Date.

(g) Smith & Nephew shall take all actions that are necessary to provide

that all Current Employees who remain employees of the Company after the Closing (i) are fully vested in their account balances in the Smith & Nephew U.S. Savings Plan and (ii) will receive credit for their service with the Company following the Closing Date for purposes of determining their vesting, but not their benefit accrual, under the Smith & Nephew U.S. Pension Plan.

(h) Prior to the date Smith & Nephew transfers any assets to the Investor's Savings Plan, Smith & Nephew shall provide Investor with a copy of the favorable determination letter issued by the Internal Revenue Service with respect to the Smith & Nephew U.S. Savings Plan.

8.5 COVENANT NOT TO COMPETE; PROPRIETARY PRODUCTS.

(a) In furtherance of the transactions contemplated hereby, Smith & Nephew covenants and agrees that, for a period ending on the fifth anniversary of the Closing Date, neither Smith & Nephew nor any of its Affiliates will engage, directly or indirectly, anywhere in the world in the "Seller's Restricted Business" (as defined below) in competition with the Business as it exists on the Closing Date (it being understood by the parties hereto that the Business is not limited to any particular region of the world and that such business may be

engaged in effectively from any location anywhere in the world); provided, however, that nothing set forth in this Section shall prohibit Smith & Nephew or its Affiliates from:

(i) owning not in excess of 5% in the aggregate of any class of capital stock or other equity interest of any Person;

(ii) owning an interest acquired as a creditor in bankruptcy or otherwise than by a voluntary investment decision;

(iii) acquiring the assets or capital stock or other equity interests of any other Person engaged in the Seller's Restricted Business if less than 20% of the assets or sales of such Person as reflected in its most recent financial statements relate to the Seller's Restricted Business; provided, however, that if Smith & Nephew or any of its Affiliates acquires substantially all of the assets or all of the capital stock or other equity interests of any other Person, greater than 20% but not greater than 40% of the assets or sales of which, as reflected in such Person's most recent financial statements, relate to the Seller's Restricted Business, then Smith & Nephew shall, within nine months of the acquisition of the assets or capital stock or other equity interest of such Person, divest assets to the extent necessary so that less than 20% of the assets or sales of the entity or business so acquired relate to the Seller's Restricted Business ; or

(iv) engaging in any of the activities described in Schedule 8.5(a)(i).

In addition, Smith & Nephew covenants and agrees that neither it nor any of its Affiliates will divulge or make use of any trade secrets or other confidential information of the Business other than to disclose such secrets and information to Investor or its Affiliates. Without limiting the right of Investor to pursue all other legal and equitable rights available to it for violation of this Section by Smith & Nephew or its Affiliates, it is agreed that other remedies cannot fully compensate Investor for such a violation and that Investor shall be entitled to injunctive relief to prevent violation or continuing violation thereof without the necessity of posting a bond or proving actual damages. It is the intent and understanding of each party hereto that if, in any action before any court or agency legally empowered to enforce this Section any term, restriction, covenant or promise in this Section is found to be unreasonable and for that reason unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court or agency. Smith & Nephew agrees to notify its Affiliates of the restrictions contained in this Section 8.5(a).

For purposes of this Section 8.5(a),(i) the term "Seller's Restricted Business" shall mean those businesses listed on Schedule 8.5(a)(ii).

(b) Investor acknowledges that the Company and the Business have obtained access to certain proprietary information described on Schedule 8.5(b)(i) (the "Proprietary Information") relating to the RCI Screw System, including, without limitation, the products listed on Schedule 8.5(b)(ii) (collectively, the "Proprietary Products") as a result of being affiliated with Smith & Nephew. In furtherance of the transactions contemplated hereby, Investor agrees that it, the Company and its subsidiaries shall treat in confidence and not use or disclose any Proprietary Information. The obligation to treat Proprietary Information in confidence shall not

apply to the extent such Proprietary Information (i) is or becomes available to the public other than as a result of disclosure by Investor, the Company or any subsidiary of the Company or (ii) is required to be disclosed under applicable law or judicial process, but only to the extent it must be disclosed. In addition, Investor agrees that neither it nor the Company or any of its subsidiaries, will, directly or indirectly, develop or market any product which competes with the Proprietary Products in cooperation with or with any promotional or marketing support from any of the Persons listed in Schedule 8.5(b)(iii); provided, however, that the restrictions contained in this sentence shall not apply to any Person whose capital stock or other equity interest is acquired by, or any business substantially all of the assets of which are acquired by, Investor, the Company and any subsidiaries of the Company. Without limiting the right of Smith & Nephew to pursue all other legal and equitable rights available to it for violation of this Section by Investor or its Affiliates, it is agreed that other remedies cannot fully compensate Smith & Nephew for such a violation and that Smith & Nephew shall be entitled to injunctive relief to prevent violation or continuing violation thereof without the necessity of posting a bond or proving actual damages. It is the intent and understanding of each party hereto that if, in any action before any court or agency legally empowered to enforce this Section, any term, restriction, covenant or promise in this Section is found to be unreasonable and for that reason unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court or agency.

8.6 NON SOLICITATION OF EMPLOYEES.

(a) For a period of three years from the date hereof, Smith & Nephew shall not, directly or indirectly through any other Person, induce or attempt to persuade any employee of the Company, S&N DonJoy Mexico or any of their respective subsidiaries (including, without limitation the Operating Subsidiary) to leave the employ of such Person; provided, however, that this Section 8.6(a) shall not prohibit Smith & Nephew from conducting generalized solicitations for employees through the use of media advertisements, professional search firms or otherwise and hiring employees through the use of such solicitations.

(b) For a period of three years from the date hereof, neither Investor nor the Company shall, directly or indirectly through any other Person, induce or attempt to persuade any employee of Smith & Nephew or any of its subsidiaries, or any employee of any Affiliate of Smith & Nephew involved in the international distribution of the products of the Business, to leave the employ of such Person; provided, however, that this Section 8.6(b) shall not prohibit Investor or the Company from conducting generalized solicitations for employees through the use of media advertisements, professional search firms or otherwise and hiring employees through the use of such solicitations.

8.7 VICTORIA UNIVERSITY OF MANCHESTER TECHNOLOGY MATTERS.

Pursuant to an Exclusive Evaluation Agreement dated January 5, 1998 between the Victoria University of Manchester ("Victoria University") and Smith & Nephew plc (the "Evaluation Agreement"), Smith & Nephew is negotiating with Victoria University to obtain exclusive rights to the Victoria Patents (as defined below). Smith & Nephew will use commercially reasonable efforts to assist the Operating Subsidiary in the negotiation of a separate license agreement (with Smith & Nephew leading such negotiations and affording to the

Company the opportunity to attend any meetings or negotiations with Victoria University) relating to products within the Seller's Restricted Business with Victoria University with respect to the Victoria Patents. In determining if a product that incorporates technology covered by the Victoria Patents is a "Hi-Tech Hinged Knee Brace" for purposes of Schedule 8.5(a)(ii), the List Price (as defined in Schedule 8.5(a)(ii)) of the base product, excluding such technology, shall apply. Any costs associated with the negotiation, execution or operation under any separate license agreement between the Operating Subsidiary and Victoria University will be the sole responsibility and obligation of the Operating Subsidiary. The Company will not, without the consent of Smith & Nephew, obtain or negotiate a license with Victoria University with respect to the Victoria Patents relating to products that are not within the Seller's Restricted Business. For purposes of this Agreement, "Victoria Patents" shall mean patents or patent applications currently owned by Victoria University relating to the use of electrostimulation therapy products for skeletal muscle rehabilitation, including the patents and patent applications set forth in Schedule 8.7. If Smith & Nephew and the Operating Subsidiary are unable to negotiate a separate license agreement, Smith & Nephew will use commercially reasonable efforts to enter into an exclusive license agreement with Victoria

University relating the Victoria Patents ("Victoria License Agreement"), and to enter into an exclusive worldwide sublicense to the Victoria License Agreement with the Operating Subsidiary which sublicense shall grant the Operating Subsidiary the exclusive right to make, use or sell products within the Seller's Restricted Business which are covered by the Victoria Patents, subject to approval of Victoria University ("Sublicense Agreement"). The Sublicense Agreement shall provide for the payment of royalties due under the Victoria License Agreement directly to Victoria University by the Operating Subsidiary. Any payments due to Victoria University upon the satisfaction of any condition or achievement of milestones pursuant to the Victoria License Agreement shall be paid by the party which first satisfies the condition or achieves the milestone; provided, however, that when and if the other party independently satisfies such condition or achieves such milestone (if such condition had not previously been satisfied or milestone been achieved), then such second party shall pay to the first party one-half of such payment to Victoria University.

8.8 IZEX LICENSE.

It is the understanding of the parties that after the Closing Smith & Nephew may enter into a license agreement with IZEX Technologies, Incorporated ("IZEX"), pursuant to which Smith & Nephew would have the right to use certain intellectual property rights relating to products for use with the human wrist (the "IZEX Wrist License"). Investor and the Company agree that the Company and the Operating Subsidiary will not bring any claim, action or proceeding to prevent, block or seek modification of the IZEX Wrist License in any manner on the grounds of interference with the license agreement between Smith & Nephew and IZEX dated August 7, 1998, which agreement has been assigned to the Company, or otherwise.

8.9 ACL BRACE TECHNOLOGY.

Smith & Nephew hereby assigns to the Company its entire right, title and interest in and to the ACL Brace Technology (as defined below), together with the right to seek patent protection for such technology in the United States and all foreign countries, including, without limitation, all claims for any past, present or future infringement, misappropriation, or other unauthorized use of such technology. Smith & Nephew shall, at the Company's request and

expense, provide cooperation and assistance to the Company in the preparation and prosecution of any patent applications relating to the ACL Brace Technology and the prosecution or defense of any legal proceeding relating to such patent applications or any patents issuing thereon or the ACL Brace Technology, including without limitation, the execution and delivery of any and all affidavits, declarations, oaths, exhibits, assignments, powers of attorney or other documentation as may be reasonably required. Smith & Nephew shall fully disclose and cause its Affiliates to fully disclose, the ACL Brace Technology to the Company, and Smith & Nephew shall deliver and cause its Affiliates to deliver to the Company all tangible embodiments of the ACL Brace Technology, including, without limitation, all documents, devices and computer software that disclose or embody such technology. Smith & Nephew has not executed and will not execute any agreement in conflicts with this assignment. As used herein, "ACL Brace Technology" shall mean all technology, research and development, information, inventions, ideas, improvements, know-how, trade secrets, technical data, devices, computer software, and copyrights developed by or for Smith & Nephew or any of its Affiliates (including, without limitation, the Group Research Centre) as of the Closing Date relating exclusively to (improvements in) anterior and posterior cruciate ligament bracing.

ARTICLE IX

CONDITIONS PRECEDENT TO OBLIGATIONS OF INVESTOR

The obligations of Investor under this Agreement shall, at the option of Investor (to the extent permissible under applicable law), be subject to the satisfaction, on or prior to the Closing Date, of the following conditions:

9.1 NO MISREPRESENTATION OR BREACH OF COVENANTS AND WARRANTIES.

There shall have been no material breach by Smith & Nephew in the performance of any of its covenants and agreements herein which shall not have been remedied or cured; each of the representations and warranties of Smith & Nephew contained in this Agreement shall be true and correct on the Closing Date as though made on the Closing Date (except to the extent that they expressly relate to an earlier date, in which case, such representations and warranties shall be true and correct on such date), except where the failure to be so true and correct has not had and is not reasonably likely to have a Material Adverse Effect (for such purposes (i) all breaches of representations and warranties shall be taken as a whole and (ii) any representation or warranty which contains a qualification or exception that contains the term "Material Adverse Effect" shall be read without such qualification or exception; provided, however, that

the foregoing shall not effect the applicability of terms other than "Material Adverse Effect" that qualify such representations and warranties by materiality) and except for changes therein specifically permitted by this Agreement or resulting from any transaction expressly consented to in writing by Investor or any transaction permitted by Section 7.4; and there shall have been delivered to Investor a certificate to such effect, dated the Closing Date, signed on behalf of Smith & Nephew by the President or any Vice President of Smith & Nephew.

9.2 NO RESTRAINT.

The waiting period under the HSR Act shall have expired or been terminated, and no injunction or restraining order shall have been issued by any United States, Mexico or United Kingdom court of competent jurisdiction and be in effect which restrains or prohibits any material transaction contemplated hereby.

9.3 NECESSARY GOVERNMENTAL APPROVALS.

All approvals and actions of or by all United States Governmental Bodies which are necessary to consummate the transactions contemplated hereby shall have been obtained or taken place, other than those as to which the failure to have been obtained or taken place is not reasonably expected to have a Material Adverse Effect. No federal or California state Requirement of Law shall have been enacted which prohibits, restricts or delays consummation of any material transaction contemplated hereby.

9.4 NECESSARY CONSENTS.

Smith & Nephew shall have received the consents, in form and substance reasonably satisfactory to Investor, which are specified in Schedule 9.4.

9.5 FINANCING.

The Investor, the Company and the Operating Subsidiary, as applicable, shall have received the proceeds of the financing contemplated by the commitment letter(s) disclosed to Smith & Nephew in Schedule 6.3 on the terms described therein (or such other terms not contemplated in such commitment letters as are agreed between the parties thereto) in an amount necessary to consummate the transactions contemplated hereby.

Notwithstanding the failure of any one or more of the foregoing conditions, Investor may proceed with the Closing without satisfaction, in whole or in part, of any one or more of such conditions and without written waiver.

ARTICLE X

CONDITIONS PRECEDENT TO OBLIGATIONS OF SMITH & NEPHEW AND THE COMPANY

The obligations of Smith & Nephew and the Company under this Agreement shall, at the option of Smith & Nephew (to the extent permissible under applicable law), be subject to the satisfaction, on or prior to the Closing Date, of the following conditions:

10.1 NO MISREPRESENTATION OR BREACH OF COVENANTS AND WARRANTIES.

There shall have been no material breach by Investor in the performance of any of its covenants and agreements herein which shall not have been remedied or cured; each of the representations and warranties of Investor contained in this Agreement shall be true and correct in all material respects on the Closing Date as though made on the Closing Date (except to the

extent they expressly relate to an earlier date, in which case such representations and warranties shall be true and correct on such date), except for changes therein specifically permitted by this Agreement or resulting from any transaction expressly consented to in writing by Smith & Nephew or any transaction contemplated by this Agreement; and there shall have been delivered to Smith & Nephew a certificate to such effect, dated the Closing Date and signed on behalf of Investor by the President or any Vice President of Investor.

10.2 NO RESTRAINT.

The waiting period under the HSR Act shall have expired or been terminated, and no injunction or restraining order shall have been issued by any United States, Mexico or United Kingdom court of competent jurisdiction and be

in effect which restrains or prohibits any material transaction contemplated hereby.

10.3 NECESSARY GOVERNMENTAL APPROVALS.

All approvals and actions of or by all Governmental Bodies which are necessary to consummate the transactions contemplated hereby shall have been obtained or taken place, other than those as to which the failure to have been obtained or taken place is not reasonably expected to have a material adverse effect on the ability of Smith & Nephew or the Company to consummate the transactions contemplated by this Agreement. No federal or California state Requirement of Law shall have been enacted which prohibits, restricts or delays the consummation of any material transaction contemplated hereby.

10.4 OTHER AGREEMENTS.

The Company and Investor, as applicable, shall have executed and delivered to Smith & Nephew the Members' Agreement, the Group Research Centre Technology Agreement, the Supply Agreement, the CERF Laboratory Agreement and the Vista Guarantees.

Notwithstanding the failure of any one or more of the foregoing conditions, Smith & Nephew may proceed with the Closing without satisfaction, in whole or in part, of any one or more of such conditions and without written waiver.

ARTICLE XI

INDEMNIFICATION

11.1 INDEMNIFICATION BY SMITH & NEPHEW.

(a) Smith & Nephew agrees to indemnify and hold harmless each Investor Group Member from and against any and all Loss and Expense incurred by such Investor Group Member in connection with or arising from:

(i) any breach by Smith & Nephew of any of its covenants or agreements in this Agreement or any Smith & Nephew Ancillary Agreement (other than the Group Research Centre Technology Agreement, the Supply Agreement, the Transition Services Agreement, the Distribution Agreement and the CERF Laboratory Agreement);

(ii) any breach of any warranty or the inaccuracy of any representation of Smith & Nephew contained in this Agreement (other than those contained in Section 12.2) or any Smith & Nephew Ancillary Agreement (other than the Group Research Centre Technology Agreement, the Supply Agreement, the Transition Services Agreement, the Distribution Agreement and the CERF Laboratory Agreement);

(iii) the Tax liabilities for which Smith & Nephew is liable pursuant to Section 8.1; or

(iv) the Excluded Liabilities;

provided, however, that Smith & Nephew shall be required to indemnify and hold harmless under clause (ii) of this Section 11.1(a) with respect to Losses and Expenses incurred by Investor Group Members only to the extent that the aggregate amount of such Losses and Expenses exceeds $3,000,000; and provided, further, that the aggregate amount required to be paid by Smith & Nephew pursuant to clause (ii) of this Section 11.1(a) shall not exceed $75,000,000.

(b) The indemnification provided for in Section 11.1(a)(i) and (a)(ii) shall terminate 15 months after the Closing Date (and no claims shall be made by any Investor Group Member under this Section 11.1 thereafter), except that the indemnification by Smith & Nephew shall continue as to:

(i) the covenants and agreements of Smith & Nephew set forth in Sections 7.6, 7.7, 8.1, 8.2, 8.3, 8.4, 8.7, 8.8, 8.9 and Article XIV (other than Section 14.6), as to all of which no time limitation shall apply;

(ii) the covenants and agreements of Smith & Nephew set forth in Section 8.5(a),8.6 and 14.6, as to which the indemnification provided for in this Section 11.1 shall terminate upon expiration of the period provided for in such Section;

(iii) the representations and warranties of Smith & Nephew set forth in Sections 5.2, 5.3 and 5.4(a), as to all of which no time limitation shall apply;

(iv) the representations and warranties of Smith & Nephew set forth in Section 5.10, as to which the indemnification provided in this Section 11.1 shall terminate upon the expiration of the applicable statute of limitations; and

(v) any Loss or Expense of which any Investor Group Member has notified Smith & Nephew in accordance with the requirements of Section 11.3 on or prior to the date such indemnification would otherwise terminate in accordance with this Section 11.1, as to which the obligation of Smith & Nephew shall continue until the liability of Smith & Nephew shall have been determined pursuant to this Article XI, and Smith & Nephew shall have reimbursed all Investor Group Members for the full amount of such Loss and Expense in accordance with this Article XI.

11.2 INDEMNIFICATION BY INVESTOR.

(a) Investor agrees to indemnify and hold harmless each Smith & Nephew Group Member from and against any and all Loss and Expense incurred by such Smith & Nephew Group Member in connection with or arising from:

(i) any breach by Investor of any of its covenants or agreements in this Agreement or any Investor Ancillary Agreement or any breach by the Company of any of its covenants or agreements in this Agreement or in any Investor Ancillary Agreement to be performed after the Closing;

(ii) any breach of any warranty or the inaccuracy of any representation of Investor contained in this Agreement or in any Investor Ancillary Agreement;

(iii) the Tax liabilities for which the Company is liable pursuant to Section 8.1;

(iv) the employment, or termination of employment, of any Current Employees on or after the Closing Date, including without limitation the payment of compensation earned or benefits accrued by Current Employees on or after the Closing Date; or

(v) the Assumed Liabilities;

provided, however, that Investor shall be required to indemnify and hold harmless under clause (ii) of this Section 11.2(a) with respect to Losses and Expenses incurred by Smith & Nephew Group Members only to the extent that the aggregate amount of such Losses and Expenses exceeds $3,000,000; and provided, further, that the aggregate amount required to be paid by Investor pursuant to clause (ii) of this Section 11.2(a) shall not exceed $75,000,000.

(b) The indemnification provided for in Section 11.2(b)(i) and (b)(ii) shall terminate 15 months after the Closing Date (and no claims shall be made by any Smith & Nephew Group Member under this Section 11.2 thereafter), except that the indemnification by Investor shall continue as to:

(i) the covenants of Investor set forth in Sections 8.1, 8.2, 8.3, 8.4, 8.5(b), 8.7, 8.8 and Article XIV (other than Section 14.6), as to all of which no time limitation shall apply;

(ii) the covenants of Investor set forth in Sections 8.6, 13.3 and 14.6 as to which the indemnification provided for in this Section 11.2 shall terminate upon the expiration of the period provided for in such Section;

(iii) the representations and warranties of Investor set forth in Sections 6.1, 6.2(a) and 6.4, as to all of which no time limitation shall apply; and

(iv) any Loss or Expense of which any Smith & Nephew Group Member has notified Investor in accordance with the requirements of Section 11.3 on or prior to

the date such indemnification would otherwise terminate in accordance with this Section 11.2, as to which the obligation of Investor shall continue until the liability of Investor shall have been determined pursuant to this Article XI, and Investor shall have reimbursed all Smith & Nephew Group Members for the full amount of such Loss and Expense in accordance with this Article XI.

11.3 NOTICE OF CLAIMS.

(a) Any Investor Group Member or Smith & Nephew Group Member (the "Indemnified Party") seeking indemnification hereunder shall give to the party obligated to provide indemnification to such Indemnified Party (the "Indemnitor") a notice (a "Claim Notice") describing in reasonable detail the facts giving rise to any claim for indemnification hereunder and shall include in such Claim Notice (if then known) the amount or the method of computation of the amount of such claim, and a reference to the provision of this Agreement or any other agreement, document or instrument executed hereunder or in connection herewith upon which such claim is based; provided, that a Claim Notice in respect of any action at law or suit in equity by or against a third Person as to which indemnification will be sought shall be given promptly after the action or suit is commenced; provided, that failure to give such notice shall not relieve the Indemnitor of its obligations hereunder except to the extent the Indemnitor shall have been prejudiced by such failure (it being understood that this proviso does not modify or otherwise affect the time periods specified in Sections 11.1 and 11.2).

(b) In calculating any Loss or Expense there shall be deducted (i) any insurance recovery actually received by the Indemnified Party (less any deductibles and any resulting premium increases) in respect thereof (and no right of subrogation shall accrue hereunder to any insurer) and (ii) the amount of any Tax benefit actually received by the Indemnified Party (or any of its Affiliates) with respect to such Loss or Expense (after giving effect to the Tax effect of receipt of the indemnification payments). In no event shall Investor be entitled to indemnification under this Agreement for any Loss or Expense that is reflected in the adjustment to the Existing Membership Interest Purchase Price pursuant to Article III to the extent (and only to the extent) such Loss or Expense is so reflected in such adjustment.

(c) After the giving of any Claim Notice pursuant hereto, the amount of indemnification to which an Indemnified Party shall be entitled under this Article XI shall be determined: (i) by the written agreement between the Indemnified Party and the Indemnitor; (ii) by a final judgment or decree of any court of competent jurisdiction; or (iii) by any other means to which the Indemnified Party and the Indemnitor shall agree. The judgment or decree of a court shall be deemed final when the time for appeal, if any, shall have expired and no appeal shall have been taken or when all appeals taken shall have been finally determined. The Indemnified Party shall have the burden of proof in establishing the amount of Loss and Expense suffered by it.

11.4 THIRD PERSON CLAIMS.

(a) Subject to Section 11.4(b), the Indemnified Party shall have the right to conduct and control, through counsel of its choosing, the defense, compromise or settlement of any third Person claim, action or suit against such Indemnified Party as to which indemnification

will be sought by any Indemnified Party from any Indemnitor hereunder, and in any such case the Indemnitor shall cooperate in connection therewith and shall furnish such records, information and testimony and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested by the Indemnified Party in connection therewith; provided, that the Indemnitor may participate, through counsel chosen by it and at its own expense, in the defense of any such claim, action or suit as to which the Indemnified Party has so elected to conduct and control the defense thereof; and provided, further, that the Indemnified Party shall not, without the written consent of the Indemnitor (which written consent shall not be unreasonably withheld), pay, compromise or settle any such claim, action or suit. Notwithstanding the foregoing, the Indemnified Party shall have the right to pay, settle or compromise any such claim, action or suit, provided that in such event the Indemnified Party shall waive any right to indemnity therefor hereunder.

(b) If any third Person claim, action or suit against any Indemnified Party is solely for money damages or, where Smith & Nephew is the Indemnitor, will have no continuing effect in any material respects on the Company or S&N DonJoy Mexico, then the Indemnitor shall have the right to conduct and control, through counsel of its choosing, the defense, compromise or settlement of any such third Person claim, action or suit against such Indemnified Party as to which indemnification will be sought by any Indemnified Party from any Indemnitor hereunder if the Indemnitor has acknowledged and agreed in writing that, if the same is adversely determined, the Indemnitor has an obligation to provide indemnification to the Indemnified Party in respect thereof, and in any such case the Indemnified Party shall cooperate in connection therewith and shall furnish such records, information and testimony and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested by the Indemnitor in connection therewith; provided, that the Indemnified Party may participate, through counsel chosen by it and at its own expense, in the defense of any such claim, action or suit as to which the

Indemnitor has so elected to conduct and control the defense thereof. The Indemnitor shall not pay, settle or compromise any such claim without obtaining an unconditional general release of the Indemnified Party. Notwithstanding the foregoing, the Indemnified Party shall have the right to pay, settle or compromise any such claim, action or suit, provided that in such event the Indemnified Party shall waive any right to indemnity therefor hereunder.

(c) If there shall be any conflicts between the provisions of this Section 11.4 and Section 8.1(c) (relating to Tax contests), the provision of Section 8.1(c) shall control with respect to Tax contests.

11.5 EXCLUSIVE REMEDY.

Except for remedies that cannot be waived as a matter of law, if the Closing occurs, this Article XI shall be the exclusive remedy for breach of the representations and warranties contained in Article V or VI or the corresponding certificates delivered pursuant to Section 4.3 and Section 4.4.

11.6 ADJUSTMENT TO PURCHASE PRICE.

Investor and Smith & Nephew agree that, for purposes of computing the amount of any indemnification payment under this Article XI, any such indemnification payment shall be treated as an adjustment to the New Membership Interest Purchase Price for all Tax purposes.

ARTICLE XII

ENVIRONMENTAL MATTERS

12.1 SCOPE.

This Article XII contains (i) the complete and entire agreement between Investor and Smith & Nephew regarding, and sets forth the responsibilities, liabilities, rights and remedies of Investor and Smith & Nephew, vis-a-vis each other, in respect of any Environmental Loss or Environmental Expense resulting from, or any Environmental Matters relating to or otherwise affecting, the Company or its assets and (ii) the sole representations, warranties and indemnities made by Investor and Smith & Nephew with respect to any Environmental Matters.

12.2 REPRESENTATIONS AND WARRANTIES OF SMITH & NEPHEW REGARDING ENVIRONMENTAL MATTERS.

As an inducement to Investor to enter into this Agreement and to consummate the transactions contemplated hereby, Smith & Nephew represents and warrants to Investor that, except as set forth in Schedule 12.2:

(a) The operations of the Company have complied and are currently in compliance in all material respects with all applicable Environmental Laws.

(b) The Company owns, holds or possesses all material Governmental Permits which are necessary under Environmental Laws to entitle it to own or lease, operate and use its assets and to carry on and conduct the Business substantially as currently conducted.

(c) To the Knowledge of Smith & Nephew, the Company is not subject to any investigation by, order from or written agreement with any Person (including without limitation any prior owner or operator of the Company Real Property) respecting (i) any Environmental Law or common law, (ii) any Remedial Action or (iii) any claim of Environmental Losses and Environmental Expenses arising from the Release or threatened Release of a Contaminant into the environment.

(d) The Company is not subject to any judicial or administrative proceeding, order, judgment, decree or settlement alleging or addressing a violation of or liability under any Environmental Law or common law, which proceeding, order, judgment, decree or settlement is reasonably expected to have a Material Adverse Effect.

(e) To the Knowledge of Smith & Nephew, neither Smith & Nephew nor the Company has received any written notice or claim to the effect that it is or may be liable to any Person as a result of the Release of a Contaminant into the environment from or on the Company

Real Property or any third party disposal site, which notice or claim is reasonably expected to have a Material Adverse Effect.

(f) To the Knowledge of Smith & Nephew, no Environmental Encumbrance has attached to the Company Real Property.

12.3 INDEMNIFICATION BY SMITH & NEPHEW FOR ENVIRONMENTAL MATTERS.

(a) Smith & Nephew agrees to indemnify and hold harmless each Investor Group Member from and against any and all Environmental Losses and Environmental Expenses incurred by such Investor Group Member in connection with or arising from any breach of any warranty or the inaccuracy of any representation of Smith & Nephew contained in Section 12.2; provided, however, that Smith & Nephew shall be required to indemnify and hold harmless under this Section 12.3 with respect to Environmental Loss and Environmental Expense incurred by Investor Group Members only to the extent that the aggregate amount of such Environmental Loss and Environmental Expense exceeds $750,000 and provided, further, that the aggregate amount required to be paid by Smith & Nephew pursuant to this Section 12.3 shall not exceed $7,500,000.

(b) The indemnification provided for in this Section 12.3 shall terminate three years and six months after the Closing Date (and no claims shall be made by any Investor Group Member under this Section 12.3 thereafter), except that the indemnification by Smith & Nephew shall continue as to any Environmental Loss or Environmental Expense of which any Investor Group Member has notified Smith & Nephew in accordance with the requirements of Section 12.5 on or prior to the date such indemnification would otherwise terminate in accordance with this Section 12.3, as to which the obligation of Smith & Nephew shall continue until the liability of Smith & Nephew shall have been determined pursuant to this Agreement, and Smith & Nephew shall have reimbursed all Investor Group Members for the full amount of such Environmental Loss and Environmental Expense in accordance with this Article XII.

12.4 INDEMNIFICATION BY INVESTOR FOR ENVIRONMENTAL MATTERS.

Investor agrees to indemnify and hold harmless each Smith & Nephew Group Member from and against any and all Environmental Losses and Environmental Expenses incurred by such Smith & Nephew Group Member in connection with or arising from:

(a) any breach by Investor of any of its covenants, obligations or agreements in this Agreement or in any Investor Ancillary Agreement or any failure by Investor to pay or discharge any Environmental Loss or Environmental Expense from and against which Smith & Nephew is not required to indemnify and hold harmless the Investor Group Members under Section 12.3; or

(b) any third Person claim, action or suit or any proceeding, investigation or order by any Governmental Body, under any Environmental Law or common law relating to any violation of Environmental Law or any Release of a Contaminant first occurring on or after the Closing Date in connection with the operation of the Business on or after the Closing Date or to conditions first created or arising in respect of the assets of the Company or S&N DonJoy Mexico on or after the Closing Date.

The indemnification provided for in this Section 12.4 shall survive the Closing indefinitely.

12.5 NOTICE OF CLAIMS.

(a) Any Investor Group Member or Smith & Nephew Group Member (the "Indemnified Party") seeking indemnification under this Article XII shall give to the party obligated to provide indemnification to such Indemnified Party (the "Indemnitor") a notice (an "Environmental Claim Notice") describing in reasonable detail the facts giving rise to any claim for indemnification hereunder and shall include in such Environmental Claim Notice (if then known) the amount or the method of computation of the amount of such claim, and a reference to the provision of this Agreement or any other agreement, document or instrument executed hereunder or in connection herewith upon which such claim is based; provided, that an Environmental Claim Notice in respect of any action at law or suit in equity by or against a third Person as to which indemnification will be sought shall be given promptly after the action or suit is commenced; provided, that failure to give such notice shall not relieve the Indemnitor of its obligations hereunder except to the extent of the Indemnitor shall have been prejudiced by such failure (it being understood that this proviso does not modify or otherwise affect the time periods specified in Section 12.3).

(b) In calculating any Environmental Loss or Environmental Expense there shall be deducted (i) any insurance recovery in respect thereof (and no right of subrogation shall accrue hereunder to any insurer) and (ii) the amount of any tax benefit to the Indemnified Party (or any of its Affiliates) with respect to such Environmental Loss or Environmental Expense (after giving effect to the tax effect of receipt of the indemnification payments).

(c) After the giving of any Environmental Claim Notice pursuant hereto, the amount of indemnification to which an Indemnified Party shall be entitled under this Article XII shall be determined: (i) by the written agreement between the Indemnified Party and the Indemnitor; (ii) by a final judgment or decree of any court of competent jurisdiction; or (iii) by any other means to which the Indemnified Party and the Indemnitor shall agree. The judgment or decree of a court shall be deemed final when the time for appeal, if any, shall have expired and no appeal shall have been taken or when all appeals taken shall have been finally determined. The Indemnified Party shall have the burden of proof in establishing the amount of Environmental Loss and Environmental Expense suffered by it.

12.6 INDEMNITOR'S RIGHT TO CONTROL.

The Indemnitor shall have the right and responsibility of defending, remedying, compromising and settling, through counsel, consultant or contractor of its choosing (which shall be reasonably satisfactory to the Indemnified Party), any action or suit as to which indemnification is sought by any Indemnified Party from any Indemnitor under this Article XII (an "Environmental Claim"). With respect to any Environmental Claim involving a third Person claim, action or suit solely for money damages, the provisions of Section 11.4(b) shall apply. With respect to all Environmental Claims, the parties shall reasonably cooperate in connection therewith including, without limitation, providing copies of material documents, affording a reasonable right to review and comment upon material submissions, and providing reasonable

advance notice of and soliciting reasonable input in preparation for material interactions with governmental authorities or third Persons, and shall furnish such records, information and testimony and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested by the Indemnitor in connection therewith. The Indemnitor shall have the right, upon acknowledging its indemnification obligation, to direct any Remedial Action, negotiation or other litigation in connection with any Environmental Claim; provided that: (i) if a remedial or other action proposed to be taken by the Indemnitor in settlement of the Environmental Claim would, in the Indemnified Party's reasonable judgment, adversely affect the Indemnified Party's operations at a facility of the Company or S&N DonJoy Mexico, or its business or financial condition, such action shall not be taken without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld); (ii) the Indemnitor shall not compromise or settle any Environmental Claim without the consent of the Indemnified Party (which consent shall not be unreasonably withheld); and (iii) in the event the Indemnified Party shall refuse to consent to the taking of any remedial or other action in respect of, or the compromise or settlement of, any Environmental Claim, the Indemnified Party may elect to take over the defense of such Environmental Claim, and in any such case the liability of the Indemnitor for indemnification in respect of such Environmental Claim shall not exceed the amount for which the Environmental Claim could have been settled plus the amount of Environmental Expense incurred by the Indemnified Party prior to the time of the proposed settlement to which it is entitled to indemnification.

12.7 LIMITATIONS ON LIABILITY.

The obligations of an Indemnitor in respect of a claim for indemnification under this Article XII with respect to Remedial Action shall be limited to the taking of such reasonable actions as are necessary under the circumstances giving rise to such claim, and an Indemnitor (i) shall in no event be required to take more extensive actions than would be required under Environmental Laws in effect at the time of the Remedial Action and (ii) shall not be liable for special or exemplary damages. Smith & Nephew and Investor agree that their respective rights and obligations in respect of Environmental Matters as provided in this Agreement shall supersede any such rights and obligations either may have under any existing or future law. Except for any Environmental Losses or Environmental Expenses for which any party hereto is required to indemnify and hold harmless any other party hereto, the parties hereto release one another from any and all Environmental Losses and Environmental Expenses arising in connection with the Business or the assets of the Company, including, without limitation (i) any Environmental Losses or Environmental Expenses arising under the common law or Environmental Law, including without limitation any cost recovery claim under CERCLA or under equivalent state law; (ii) any Release or threatened Release of any Contaminant on, in, at, to, from or beneath the Company Real Property (including without limitation all facilities, improvements, structures and equipment thereon, surface water thereon or adjacent thereto and soil or groundwater thereunder); and (iii) any environmental, health or safety condition whatsoever on, in, under, at or in the vicinity of the Company Real Property.

ARTICLE XIII

TERMINATION

13.1 TERMINATION.

Anything contained in this Agreement to the contrary notwithstanding, this Agreement may be terminated at any time prior to the Closing Date:

(a) by the mutual consent of Investor and Smith & Nephew;

(b) by Investor or Smith & Nephew if the Closing shall not have occurred on or before July 31, 1999 (or such later date as may be mutually agreed to by Investor and Smith & Nephew);

(c) by Investor in the event of (i) any material breach by Smith & Nephew of any of Smith & Nephew's covenants or agreements contained herein and the failure of Smith & Nephew to cure such breach within 30 days after receipt of notice from Investor requesting such breach to be cured or (ii) any breach by Smith & Nephew of any of Smith & Nephew's representations or warranties contained herein, except any such breach that would not have a Material Adverse Effect, and the failure of Smith & Nephew to cure such breach within 30 days after receipt of notice from Investor requesting such breach to be cured;

(d) by Smith & Nephew in the event of any material breach by Investor of any of Investor's covenants, agreements, representations or warranties contained herein and the failure of Investor to cure such breach within 30 days after receipt of notice from Smith & Nephew requesting such breach to be cured; or

(e) by Investor or Smith & Nephew if any court of competent jurisdiction in the United States, Mexico or the United Kingdom shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the consummation of any material transaction contemplated hereby.

13.2 NOTICE OF TERMINATION.

Any party desiring to terminate this Agreement pursuant to Section 13.1 shall give notice of such termination to the other party to this Agreement.

13.3 NON-SOLICITATION.

If this Agreement is terminated, neither Investor nor any of its Affiliates will, for a period of two years thereafter, without the prior written approval of Smith & Nephew, directly or indirectly solicit, induce or attempt to persuade any person who is an employee of the Company or S&N DonJoy Mexico on the date hereof or at any time hereafter that precedes such termination, to terminate his or her employment with the Company or S&N DonJoy Mexico; provided, however, that this Section 13.3 shall not prohibit Investor or any of its Affiliates from conducting generalized solicitations for employees through the use of media advertisements, professional search firms or otherwise and hiring employees through the use of such

solicitations. Without limiting the rights of Smith & Nephew to pursue all other legal and equitable rights available for a violation of this Section 13.3 by Investor or its Affiliates, it is agreed that other remedies cannot fully compensate Smith & Nephew for such a violation and that Smith & Nephew shall be entitled to injunctive relief to prevent a violation or continuing violation hereof without the necessity of posting a bond or proving actual damages. It is the intent and understanding of each party hereto that if, in any action before any court or agency legally empowered to enforce this Section 13.3, any term, restriction, covenant or promise in this Section 13.3 is found to be unreasonable and for that reason unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court or agency.

13.4 EFFECT OF TERMINATION.

In the event that this Agreement shall be terminated pursuant to this Article XIII, all further obligations of the parties under this Agreement (other than Sections 13.3, 14.2 and 14.10) shall be terminated without further liability of any party to the other, provided that nothing herein shall relieve any party from liability for its willful breach of this Agreement.

ARTICLE XIV

GENERAL PROVISIONS

14.1 SURVIVAL OF OBLIGATIONS.

The representations and warranties, covenants and agreements of Smith & Nephew or Investor contained in this Agreement shall survive the Closing for a period of 15 months, provided, however, that (i) the representations and warranties contained in Section 12.2 shall survive the Closing for a period of three years and six months, (ii) the representations and warranties contained in Sections 5.2, 5.3, 5.4(a), 6.1, 6.2(a) and 6.4 shall survive the Closing indefinitely, (iii) the representations and warranties contained in Section 5.10 shall survive the Closing, until the expiration of the applicable statute of limitations, (iv) the covenants and agreements contained in Sections 7.6, 7.7, 8.1, 8.2, 8.3, 8.4, 8.5(b), 8.7, 8.8, 8.9 and Article XIV (other than Section 14.6) shall survive the Closing indefinitely, and (v) the covenants and agreements contained in Sections 8.5(a), 8.6, 13.3, and 14.6 and Articles XI and XII shall survive the Closing until the expiration of the period provided for therein. Except as otherwise provided herein, no claim shall be made for the breach of any representation or warranty contained in Article V or VI or Section 12.2 or under any certificate delivered with respect thereto under this Agreement after the date on which such representations and warranties terminate as set forth in this Section. Nothing in this Section shall limit any covenant or agreement of the parties which by its terms contemplates performance after the Closing.

14.2 CONFIDENTIAL NATURE OF INFORMATION.

Each party agrees that it will treat in confidence all documents, materials and other information which it shall have obtained regarding the other party or its Affiliates during the course of the negotiations leading to the consummation of the transactions contemplated hereby (whether obtained before or after the date of this Agreement), the investigation provided for

herein and the preparation of this Agreement and other related documents, and, in the event the transactions contemplated hereby shall not be consummated, each party shall return to the other party all copies of nonpublic documents and materials which have been furnished in connection therewith and shall return or destroy all analyses, compilations, studies or other documents of or prepared by such party from such information (and confirm to the other party in writing that it has done so). Such documents, materials and information shall not be communicated to any third Person (other than to a party's counsel, accountants, financial advisors or lenders). No party shall use any such confidential information in any manner whatsoever except solely for the purpose of evaluating the transactions contemplated by this Agreement; provided, however, that after the Closing Investor may use or disclose any confidential information of the Company or S&N DonJoy Mexico. The obligation of each party to treat such documents, materials and other information in confidence shall not apply to any information which (i) is or becomes available to such party from a source other than such other party, (ii) is or becomes available to the public other than as a result of disclosure by such party or its agents, (iii) is required to be disclosed under applicable law or judicial process, but only to the extent it must be disclosed, or (iv) such party reasonably deems necessary to disclose to obtain any of the consents or approvals contemplated hereby.

14.3 NO PUBLIC ANNOUNCEMENT.

Neither Investor nor Smith & Nephew shall, without the approval of the other, make any press release or other public announcement concerning the transactions contemplated by this Agreement, except as and to the extent that any such party shall be so obligated by law, in which case the other party shall be advised and the parties shall use their best efforts to cause a mutually agreeable release or announcement to be issued; provided that the foregoing shall not preclude communications or disclosures necessary to implement the provisions of this Agreement or to comply with the accounting and Securities and Exchange Commission disclosure obligations or the rules of any stock exchange.

14.4 NOTICES.

All notices or other communications required or permitted hereunder shall be in writing and shall be deemed given or delivered when delivered personally or when sent by registered or certified mail or by private courier addressed as follows:

If to Investor, to:

c/o Chase DJ Partners, LLC
Chase Capital Partners
380 Madison Avenue
New York, New York 10017
Attention: Damion Wicker, M.D.
Jonas Steinman
John Daileader

with a copy to:

O'Sullivan Graev & Karabell, LLP
30 Rockefeller Plaza
New York, New York 10112
Attention: John J. Suydam, Esq.

If to Smith & Nephew or, prior to the Closing,

to the Company, to:

Smith & Nephew, Inc.
1450 Brooks Road
Memphis, Tennessee 38116
Attention: Chief Financial Officer

with a copy to:

Smith & Nephew, Inc.
1450 Brooks Road
Memphis, Tennessee 38116
Attention: General Counsel

or to such other address as such party may indicate by a notice delivered to the other party hereto.

14.5 SUCCESSORS AND ASSIGNS.

(a) The rights of either party under this Agreement shall not be assignable by such party hereto prior to the Closing without the written consent of the other, except that each of the Investor, the Company and the Operating Subsidiary may assign its rights hereunder to its lenders for the purposes of securing indebtedness. Following the Closing, either party may assign any of its rights hereunder, but no such assignment shall relieve it of its obligations hereunder.

(b) Prior to the Closing, Smith & Nephew may assign its entire ownership interest in the Company to a wholly-owned subsidiary of Smith & Nephew; provided, however that Smith & Nephew shall remain liable for all obligations under this Agreement and all Smith & Nephew Ancillary Agreements (other than the Members' Agreement and the Amended and Restated Operating Agreement). Simultaneously, with such assignment, such assignee shall deliver a certificate to Investor in which such assignee agrees to be bound by the provisions of this Agreement relating to the transfer and sale of the Existing Membership Interest. If Smith & Nephew assigns its interest in the Company to a wholly-owned subsidiary of Smith & Nephew, such subsidiary shall be substituted for Smith & Nephew in the Members' Agreement and the Amended and Restated Operating Agreement.

(c) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and permitted assigns. Nothing in this Agreement, expressed or

implied, is intended or shall be construed to confer upon any Person other than the parties and successors and assigns permitted by this Section 14.5 any right, remedy or claim under or by reason of this Agreement.

14.6 ACCESS TO RECORDS AFTER CLOSING.

For a period of six years after the Closing Date, (i) Smith & Nephew and its representatives shall have reasonable access to all of the books and records of the Company or S&N DonJoy Mexico and (ii) Investor, the Company and S&N DonJoy Mexico shall have reasonable access to the books and records of Smith & Nephew, to the extent that such access is reasonably necessary to comply with various tax, accounting and third party requests for information relating to the operations of the Company or S&N DonJoy Mexico prior to the Closing Date. Such access shall be afforded upon receipt of reasonable advance notice and during normal business hours. Each party shall be solely responsible for any costs or expenses incurred by it pursuant to this Section 14.6. If Smith & Nephew or Investor, the Company or S&N DonJoy Mexico shall desire to dispose of any of such books and records prior to the expiration of such six-year period, such party shall, prior to such disposition, give the other party notice and a reasonable opportunity, at such other party's expense, to segregate and remove such books and records as such party may select.

14.7 ENTIRE AGREEMENT; AMENDMENTS.

This Agreement and the Exhibits and Schedules referred to herein and the documents delivered pursuant hereto contain the entire understanding of the parties hereto with regard to the subject matter contained herein or therein, and supersede all prior agreements, understandings or letters of intent between or among any of the parties hereto, including without limitation the Confidentiality Agreement. This Agreement shall not be amended, modified or supplemented except by a written instrument signed by an authorized representative of each of the parties hereto.

14.8 INTERPRETATION.

Article titles and headings to sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. The Schedules and Exhibits referred to herein shall be construed with and as an integral part of this Agreement to the same extent as if they were set forth verbatim herein. Disclosure of any fact or item in any Schedule hereto referenced by a particular section in this Agreement shall be deemed to have been disclosed with respect to every other section in this Agreement. Neither the specification of any dollar amount in any representation or warranty contained in this Agreement nor the inclusion of any specific item in any Schedule hereto is intended to imply that such amount, or higher or lower amounts, or the item so included or other items, are or are not material, and no party shall use the fact of the setting forth of any such amount or the inclusion of any such item in any dispute or controversy between the parties as to whether any obligation, item or matter not described herein or included in any Schedule is or is not material for purposes of this agreement. Unless this Agreement specifically provides otherwise, neither the specification of any item or matter in any representation or warranty contained in this Agreement nor the inclusion of any specific item in any Schedule hereto is

intended to imply that such item or matter, or other items or matters, are or are not in the ordinary course of business, and no party shall use the fact of the setting forth or the inclusion of any such item or matter in any dispute or controversy between the parties as to whether any obligation, item or matter not described herein or included in any Schedule is or is not in the ordinary course of business for purposes of this Agreement.

14.9 WAIVERS.

Any term or provision of this Agreement may be waived, or the time for its performance may be extended, by the party or parties entitled to the benefit thereof. Any such waiver shall be validly and sufficiently authorized for the purposes of this Agreement if, as to any party, it is authorized in writing by an authorized representative of such party. The failure of any party hereto to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of any party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

14.10 EXPENSES.

Each party hereto will pay its own costs and expenses incident to its negotiation and preparation of this Agreement and to its performance and compliance with all agreements and conditions contained herein on its part to be performed or complied with, including the fees, expenses and disbursements of its counsel and accountants; provided, however, that if the Closing occurs, on the Closing Date, the Company (or its Operating Subsidiary) shall pay all such fees and expenses of the Investor.

14.11 PARTIAL INVALIDITY.

Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or unenforceability without invalidating the remainder of such invalid, illegal or unenforceable provision or provisions or any other provisions hereof, unless such a construction would be unreasonable.

14.12 EXECUTION IN COUNTERPARTS.

This Agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement, and shall become binding when one or more

counterparts have been signed by each of the parties hereto and delivered to each of Smith & Nephew and Investor.

14.13 FURTHER ASSURANCES.

On and after the Closing Date each party hereto shall take, and Investor shall cause the Company to take, such other actions and execute such other documents and instruments of

conveyance and transfer as may be reasonably requested by the other party hereto from time to time to effectuate the transactions contemplated by this Agreement. From time to time following the Closing, Smith & Nephew shall execute and deliver and file, or cause to be executed, delivered and filed, such other instruments of conveyance and transfer as Investor may reasonably request or as may be otherwise necessary to more effectively convey and transfer to, and vest in, the Company and/or S&N DonJoy Mexico and put the Company and/or S&N DonJoy Mexico in possession of, any part of the assets that are used principally in the Business as of the Closing Date, and, in the case of licenses, certificates, approvals, authorizations, agreements, contracts, leases, easements and other commitments included in such assets which cannot be transferred or assigned effectively without the consent of third parties which consent has not been obtained, to cooperate with Investor and the Company and/or S&N DonJoy Mexico at their request in endeavoring to obtain such consent promptly, and if any such consent is unobtainable, to use its best efforts to secure to the Company the benefits thereof in some other manner. Notwithstanding anything in this Agreement to the contrary, this Agreement shall not constitute an agreement to assign any license, certificate, approval, authorization, agreement, contract, lease, easement or other commitment included in the assets used principally in the Business if an attempted assignment thereof without the consent of a third party thereto would constitute a breach thereof. With respect to contracts, permits and other arrangements that are not used principally in the Business or where the Company and/or S&N DonJoy Mexico are co-beneficiaries (with Smith & Nephew) of such contract or arrangement, from time to time following the Closing, Smith & Nephew shall use its best efforts to create, execute and deliver such instruments and arrangements as Investor may reasonably request to substantially replicate the benefits that the Company and S&N DonJoy Mexico previously enjoyed with respect to such contracts and arrangements. After the Closing, Investor shall cause the Company to remit to Smith & Nephew any proceeds received by the Company or its subsidiaries from third parties in payment of accounts receivable which do not relate to the Business and Smith & Nephew shall remit to the Company any proceeds received by Smith & Nephew from third parties in payment of accounts receivable which relate to the Business.

14.14 GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the internal laws (as opposed to the conflicts of law provisions) of the State of Delaware.

14.15 LITIGATION COOPERATION.

In connection with any litigation in which Smith & Nephew is or becomes named or joined as a defendant that involves the operations of the Business prior to Closing, Investor shall cause the Company to afford Smith & Nephew reasonable access to information, documents and Current Employees that Smith & Nephew reasonably believes are necessary to the preparation of Smith & Nephew's defense. Such access shall occur at the Company's facilities during the Company's usual business hours; provided, however, that Buyer acknowledges and agrees that a Current Employee may at times be required to give testimony at locations other than the Company's facilities. Smith & Nephew shall bear all of its costs and expenses associated with such reviews and shall bear any costs of the Company or Current Employees associated with Smith & Nephew's review of information or contact with the Current Employees contemplated hereby, which costs shall not include wages but shall include reasonable out-of-pocket business

expenses (i.e., travel, meals, lodging) incurred in connection with any off-site visits by Current Employees.

14.16 DISCLAIMER OF WARRANTIES.

Smith & Nephew makes no representations or warranties with respect to any projections, forecasts or forward-looking information provided to Investor. There is no assurance that any projected or forecasted results will be achieved. EXCEPT AS TO THOSE MATTERS EXPRESSLY COVERED BY THE REPRESENTATIONS AND

WARRANTIES IN THIS AGREEMENT AND THE CERTIFICATE DELIVERED BY SMITH & NEPHEW PURSUANT TO SECTION 4.4, THE NEW MEMBERSHIP INTEREST (AND THE BUSINESS AND ASSETS OF THE COMPANY REPRESENTED THEREBY) ARE BEING SOLD TO INVESTOR ON AN "AS IS, WHERE IS" BASIS AND SMITH & NEPHEW DISCLAIMS ALL OTHER WARRANTIES, REPRESENTATIONS AND GUARANTEES WHETHER EXPRESS OR IMPLIED. SMITH & NEPHEW MAKES NO REPRESENTATION OR WARRANTY AS TO MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE AND NO IMPLIED WARRANTIES WHATSOEVER. Investor acknowledges that neither Smith & Nephew nor any of its representatives nor any other Person has made any representation nor warranty, express or implied, as to the accuracy or completeness of any memoranda, charts, summaries or schedules heretofore made available by Smith & Nephew or its representatives to Investor or any other information which is not included in this Agreement or the Schedules hereto, and neither Smith & Nephew nor any of its representatives nor any other Person will have or be subject to any liability to Investor, any Affiliate of Investor or any other Person resulting from the distribution of any such information to, or use of any such information by, Investor, any Affiliate of Investor or any of their agents, consultants, accountants, counsel or other representatives.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed the day and year first above written.

CHASE DJ PARTNERS, LLC

By: CB Capital Investors, L.P., its
managing member

By: CB Capital Investors, Inc., its
general partner

By: /s/ George E. Kelts

Name: George E. Kelts
Title: Vice President

SMITH & NEPHEW, INC.

By: /s/ Clifford K. Lomax

Its: Treasurer

DONJOY, L.L.C.

By: /s/ Clifford K. Lomax

Its: Chairman

EXHIBIT 10.2

GROUP RESEARCH CENTRE TECHNOLOGY AGREEMENT

THIS GROUP RESEARCH CENTRE TECHNOLOGY AGREEMENT ("Agreement") dated as of June 30, 1999 ("Effective Date") between DonJoy, L.L.C., a Delaware limited liability company ("DonJoy, L.L.C.") and Smith & Nephew, Inc., a Delaware corporation ("S&N").

WHEREAS, pursuant to a Recapitalization Agreement dated April 29, 1999 (the "Recapitalization Agreement") among DonJoy, L.L.C., S&N and Chase DJ Partners, LLC ("Investor"), DonJoy, L.L.C. is selling Investor 645,500 Common Units of DonJoy, L.L.C. and DonJoy, L.L.C. is redeeming 2,000,000 Common Units from S&N, such that upon consummation of the transactions contemplated by the Recapitalization Agreement, Investor will own approximately a ninety percent (90%) membership interest in DonJoy, L.L.C.;

WHEREAS, it is a condition to Investor's obligations under the Recapitalization Agreement that S&N and DonJoy, L.L.C. enter into this Agreement;

WHEREAS, S&N owns, and hereby represents and warrants that it owns, the rights to intellectual property developed under the Active Rehabilitation Research Program (as defined hereinbelow) and the Zalzala Research Program (as defined hereinbelow), both of which have been conducted at the Group Research Centre ("GRC"), an Affiliate of S&N, and S&N has agreed to grant to DonJoy, L.L.C. certain rights in such intellectual property, subject to the terms and conditions set forth herein.

WHEREAS, any term not otherwise defined herein shall have the meaning ascribed to such term in the Recapitalization Agreement; and

NOW THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency which is acknowledged, S&N and DonJoy, L.L.C. do hereby agree as follows:

1. DEFINITIONS

For the purposes of this Agreement, the terms defined in this Section shall have the meaning specified and shall be applicable both to the singular and plural forms.

1.1 "AFFILIATE" means, with respect to any Person, any other Person which directly or indirectly controls, is controlled by or is under common control with such Person.

1.2 "PARTY" shall mean DonJoy, L.L.C. or S&N, as applicable.

1.3 "ACTIVE REHABILITATION RESEARCH PROGRAM" shall mean the current research program that has been conducted under such name by GRC, and which focuses on technology useful in muscle tonification, neuro-muscular training and proprioception training.

1.4 "ACTIVE REHABILITATION TECHNOLOGY" shall include all technology developed as of the Effective Date under the Active Rehabilitation Research Program, including unpublished research and development information, inventions (patented and unpatented), know-how, trade secrets and technical data.

1.5 "PRIMARY PATENT" shall mean any patent application, and any patent issuing therefrom, which claims at least in part Active Rehabilitation Technology, but does not claim technology developed subsequent to the Effective Date that represents an improvement to the Active Rehabilitation Technology.

1.6 "IMPROVEMENT CONTINUATION PATENT" shall mean any patent application, and any patent issuing therefrom, which claims priority to a Primary Patent.

1.7 "IMPROVEMENT NON-CONTINUATION PATENT" shall mean any patent application, and any patent issuing therefrom, which claims technology developed subsequent to the Effective Date and represents an improvement to the Active Rehabilitation Technology, but which does not claim priority to a Primary Patent.

1.8 "ZALZALA RESEARCH PROGRAM" shall mean the current research programs that have been conducted under the names "Zalzala I" and "Zalzala II" by GRC, and which focus on a system capable of real-time analysis of EMG signals in order to define associated limb function.

1.9 "ZALZALA TECHNOLOGY" shall include all technology developed as the Effective Date under the Zalzala Research Program, including unpublished research and development information, inventions (patented and unpatented), know-how, trade secrets and technical data.

1.10 "ZALZALA PATENTS" shall mean any patent application and any patent issuing therefrom, which claims at least in part Zalzala Technology.

1.11 "S&N APPLICATIONS" shall mean all applications not included with the DonJoy Applications.

1.12 "DONJOY APPLICATIONS" shall mean all applications included within Schedule 8.5 of the Recapitalization Agreement. In determining if a product that incorporates Zalzala Technology or Active Rehabilitation Technology is a Hi-Tech Hinged Knee Brace as defined within the aforementioned Schedule 8.5 (a) (ii), the List Price of the base product excluding such technology shall apply.

2. ASSIGNMENT OF TECHNOLOGY AND PATENTS

2.1 ASSIGNMENT OF TECHNOLOGY. S&N hereby conveys and assigns to DonJoy, L.L.C. an undivided fifty percent (50%) interest in and to the Active Rehabilitation Technology.

2.2 ASSIGNMENT OF PATENTS. Any Party which files a Primary Patent or an Improvement Continuation Patent shall assign to the other Party an undivided fifty percent (50%) interest in and to such patent.

3. LICENSING OF TECHNOLOGY AND PATENTS

3.1 EXCLUSIVE LICENSE TO S&N. Notwithstanding the joint ownership as set forth in Paragraphs 2.1 and 2.2, S&N shall have the exclusive, worldwide, royalty-free right, including the right to grant licenses, under the Active Rehabilitation Technology, the Primary Patents and the Improvement Continuation Patents to make, have made, use, import, sell, and offer to sell any product falling within the S&N Applications during the term of this Agreement.

3.2 EXCLUSIVE LICENSE TO DONJOY, L.L.C. Notwithstanding the joint ownership as set forth in Paragraphs 2.1 and 2.2, DonJoy, L.L.C. shall have the exclusive, worldwide, royalty-free right, including the right to grant licenses, under the Active Rehabilitation Technology, the Primary Patents and the Improvement Continuation Patents to make, have made, use, import, sell, and offer to sell any product falling within the DonJoy Applications during the term of this Agreement.

3.3 NONEXCLUSIVE LICENSE TO DONJOY, L.L.C. S&N hereby grants to DonJoy, L.L.C., a nonexclusive, worldwide, perpetual, royalty-free right and license, with the right to sublicense, under the Zalzala Technology and Zalzala Patents to make, have made, use, import, sell, and offer to sell products included within the DonJoy Applications.

4. DISCLOSURE OF TECHNOLOGY AND INVENTIONS

4.1 CURRENT TECHNOLOGY. Upon execution of this Agreement, S&N shall make available to DonJoy, L.L.C. all Active Rehabilitation Technology and Zalzala Technology that it possesses, or in which it has rights.

4.2 FUTURE TECHNOLOGY. During the term of this Agreement, each Party shall disclose to the other Party all technology claimed in any Improvement Continuation Patent in which such other Party develops or an Affiliate of such other Party develops.

5. PATENT PROTECTION

5.1 INITIAL PATENTS. S&N shall file, prosecute and maintain the initial Primary Patents ("Initial Primary Patents"). The three draft patent applications

attached hereto as Exhibit A shall, at least in part, form the basis for the Initial Primary Patents. The Initial

Primary Patents shall first be filed in the United Kingdom, and later filed as PCT patent applications designating at least Europe, Canada, Australia, Japan, and the United States. S&N shall be responsible for all costs associated therewith, and shall control the prosecution of the Initial Primary Patents. S&N shall, however, promptly provide DonJoy, L.L.C. with copies of the Initial Primary Patents as filed, together with copies of all correspondence or official communications previously made or received or made or received in the future with any patent office relating thereto.

5.2 ADDITIONAL PATENTS. Either Party shall have the right to file other Primary Patents, Improvement Continuation Patents and/or Improvement Non-Continuation Patents. Each Party shall control the prosecution of any applications which it files. Such Party shall, however, promptly provide the other Party with copies of any Primary Patent or Improvement Continuation Patent which it files together with copies of all correspondence or official communications previously made or received or made or received in the future with any patent office relating thereto. With regard to any later filed patent application, it is within the sole discretion of the filing Party to determine if such later filed patent application will claim priority to a Primary Patent.

5.3 PATENT EXPENSES. The parties shall share equally all expenses, including but not limited to attorney fees, translation costs, and patent office fees associated with any Primary Patent (other than the Initial Primary Patents referred to above in Paragraph 5.1) or Improvement Continuation Patent (collectively "Joint Patents"). Either Party may elect to not share in the expenses or to discontinue sharing in the expenses associated with any Joint Patent. With regard to any new application for a Joint Patent, such election must be made within thirty (30) days of receipt of the final draft of such patent application. With regard to ongoing Joint Patents, a Party must give thirty (30) days notice of its intent to exercise such election. For any Joint Patent that a Party elects not to financially support, any license granted in Section 3 of this Agreement shall terminate with respect to such Joint Patent, and such Joint Patent and all patents claiming priority thereto shall no longer be deemed to be a Primary Patent or an Improvement Continuation Patent. Furthermore, at the other Party's request and expense, the non-financially supporting Party shall assign to the other Party its interest in such Joint Patent and all patents claiming priority thereto. Alternatively, the financially supporting Party may require (at such Party's request and expense) the non-financially supporting Party to grant to it an exclusive worldwide

royalty-free license under such Joint Patent and all patents claiming priority thereto in all fields.

5.4 COOPERATION. Each Party agrees to promptly execute or cause its employees, agents or consultants to execute and return any and all documents reasonably deemed necessary to carry out the purposes of this Section 5, including all declarations, oaths, assignments, affidavits, pleadings, and powers of attorney.

5.5 PATENT MARKING. Each Party is required to mark all applicable products with the applicable patent numbers of the Primary Patents or Improvement Continuation Patents in accordance with the patent marking laws of the United States.

6. INFRINGEMENT

6.1 THIRD PARTY INFRINGERS. If either Party believes that any Primary Patent or Improvement Continuation Patent, which has issued or is otherwise enforceable, is being infringed by any unlicensed third party, it shall promptly notify the other Party in writing. Either Party shall have the right, but not the obligation, to take the appropriate steps to end any alleged unauthorized third party use of the Active Rehabilitation Technology or any technology claimed in a Primary Patent or an Improvement Continuation Patent. The parties shall endeavor to determine whether either or both will pursue such infringer. Either Party may submit a formal written request to the other Party seeking a written decision as to whether such other Party will pursue or participate in legal action against a third party infringer, either solely or together with the requesting Party. Such written decision shall be provided to the requesting Party within ninety (90) days of receipt of such request, or receipt of a sample of the allegedly infringing product, whichever is later. Neither Party shall initiate or commence a legal action against a third party infringer without first submitting such a formal written request stating such Party's intent to pursue such action and awaiting receipt of a written decision from the other Party. Further, a

decision by either Party not to pursue an infringer shall be revocable until the other Party commences an action against an infringer.

6.2 LITIGATION EXPENSES AND RECOVERY. If both Parties elect to pursue a suit against an infringer or other enforcement action, the Parties shall agree on how the costs and expenses for such a suit will be shared, and agree on a division of any net recovery from such an infringer after deduction of all costs and expenses (including attorneys' fees) incurred in regard to the litigation. The division of any net recovery shall be based on: 1) the relative contributions of each Party to the costs of the suit or enforcement action; and 2) a consideration of the extent to which the allegedly infringing products are

within a DonJoy Application or within a S&N Application. If the infringing product falls completely with a DonJoy Application, then S&N shall only be entitled to recover its share of the costs and expenses (including attorneys' fees) incurred in regard to the litigation. If the infringing product falls completely with a S&N Application, then DonJoy, L.L.C. shall only be entitled to recover its share of the costs and expenses (including attorneys' fees) incurred in regard to the litigation. If either Party shall bring and maintain the suit alone, such Party may join the other Party if it deems in its sole discretion such joinder is necessary and/or desirable. In such case, the Party bringing suit shall reimburse the joined Party for its out of pocket expenses (excluding attorneys' fees) resulting from any assistance such other Party is required to provide hereunder. If either Party elects to bring suit alone and it is awarded a monetary judgment against an infringer, the other Party shall not be entitled to any portion of such recovery, even if such Party is involuntarily joined in the litigation.

6.3 SETTLEMENTS. In any and all litigation or other contested hearing relating to Active Rehabilitation Technology, a Primary Patent, or a Improvement Continuation Patent that is jointly owned hereunder, neither Party shall terminate or reach final settlement of any claim, without first obtaining the other Party's written consent to do so, which consent shall not be unreasonably withheld. If such termination or settlement does not involve the granting of a license to, or an admission or stipulation which affects the validity or scope of a Primary Patent or an Improvement Continuation Patent, a Party need not obtain the other Party's consent thereto.

6.4 COOPERATION. Each Party shall keep the other advised of all material developments in any suit for infringement or negotiations with respect thereto, and shall cooperate and execute documentation as may be required in order for the other Party to maintain any action. Any non-acting Party shall cooperate with the Party taking such action and shall make available to the acting Party all reasonable information that could assist such Party. The non-acting Party shall, at its own expense, be entitled (but not be obligated) to non-controlling participation through counsel of its own selection.

7. DISCLAIMER OF REPRESENTATIONS AND WARRANTIES; COVENANTS; INDEMNIFICATION

7.1 COVENANTS. Until the expiration of the term set forth in Paragraph 8.1 of this Agreement, DonJoy, L.L.C. agrees not to use the Active Rehabilitation Technology to make, have made, use, import, sell or offer to sell a product falling within S&N Applications and agrees not to grant any license to any third party for such purpose.

S&N agrees that during such time period it will not use the Active Rehabilitation Technology to make, have made, use, import, sell or offer to sell a product falling within DonJoy Applications and agrees not to grant any license to any third party for such purpose. DonJoy, L.L.C. agrees not to use the

technology claimed in any Primary Patent or any Improvement Continuation Patent to make, have made, use, import, sell or offer to sell a product falling within S&N Applications and agrees not to grant any license to any third party for such purpose until the date upon which such patent expires. S&N agrees not to use the technology claimed in any Primary Patent or any Improvement Continuation Patent to make, have made, use, import, sell or offer to sell a product falling within DonJoy Applications and agrees not to grant any license to any third party for such purpose until the date upon which such patent expires.

7.2 SCOPE OF PATENTS. Each Party shall have an obligation, and hereby covenants and agrees, that it will use commercially reasonable efforts to seek the broadest possible patent protection in each Primary Patent or Improvement Continuation Patent. Furthermore, each Party covenants and agrees that it will allow the other Party to review all Primary Patents and Improvement Continuation Patents prior to filing, and if requested to do so, such Party shall augment the patent application to include additional disclosure provided by the other Party to support claims that cover the other Party's technical applications as defined in this Agreement.

7.3 DISCLAIMER. THERE ARE NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT OR OTHERWISE WITH RESPECT TO THE TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS COVERED BY THIS AGREEMENT. THE TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS ASSIGNED OR LICENSED HEREUNDER IS DONE SO ON AN "AS-IS" BASIS.

7.4 INDEMNIFICATION.

a. Each Party shall indemnify (the "Indemnifying Party"), defend and hold harmless the other Party (together with its officers, directors, members, partners, employees, agents, Affiliates, successors and assigns (the "Indemnified Group")) from and against any and all demands, claims, actions, losses, damages (including consequential and punitive damages), deficiencies, liabilities, judgments, interest, penalties, costs and expenses (including court costs and, solely to the extent specified in Section b. below, attorneys' fees) asserted against, or incurred by the Indemnified Group, directly or indirectly, in connection with, arising out of, or resulting from (i) a breach or nonfulfillment of any one or more covenants or agreements of the Indemnifying Party contained in this Agreement; or (ii) any claim against the Indemnified Group by a third party: (a) for infringement in connection with any product of the Indemnifying Party that incorporates Active Rehabilitation Technology, Zalzala Technology, or technology described in a Primary Patent or an Improvement Continuation Patent; or (b) asserting that such a product is defective and caused injury or damage to such third party.

b. Except as otherwise provided in this Agreement, the Indemnifying Party

shall have the obligation and right to take over and assume, at its own expense, the sole control of defense and any settlement of any suit or threatened suit by a third party for any indemnifiable claim set forth herein for which the Indemnifying Party has agreed to indemnify the Indemnified Group under this Agreement. The Indemnifying Party shall be liable for the fees of attorneys it retains for purposes of asserting such defense or negotiating such settlement, but shall not be liable for fees of other attorneys, if any, retained by the Indemnified Group in connection with a suit or threatened suit. The Indemnified Group will promptly advise the Indemnifying Party, by telefax or courier, within 72 hours after receipt of any summons or other notice of the institution of any suit against it relating to an indemnifiable claim, and shall include with such notice a copy of any complaint pertaining to such suit. The Indemnified Group agrees to cooperate in the defense of such suit by furnishing such assistance as is reasonably requested by the Indemnifying Party.

8. TERM AND TERMINATION

8.1 TERM. Unless terminated sooner under Paragraph 5.3 of this Agreement, the licenses granted in Section 3 and the assignments granted in Section 2 of this Agreement shall continue in full force and effect with respect to any particular patent until the expiration of such patent's term or cancellation of such patent or a final declaration of invalidity or unenforceability by a court of competent jurisdiction. Any restriction contained herein with respect to non patented Active Rehabilitation Technology shall expire upon the tenth (10th) anniversary of this Agreement.

8.2 TERMINATION. In the event of bankruptcy, insolvency, or material breach of this Agreement by one of the parties hereto, the other Party to this Agreement may terminate this Agreement provided that the Party terminating the Agreement first gives the other Party written notice of such termination, specifying the grounds therefore, and the other Party has had ten (10) days after such notice is given to cure any breach. If not so cured, this Agreement shall terminate at the expiration of such ten (10) days.

8.3 CONSEQUENCES OF TERMINATION. Upon termination of this Agreement due to a material breach by a Party or the insolvency or bankruptcy of a Party all rights to the Active Rehabilitation Technology, the Primary Patents and the Improvement Continuation Patents shall automatically revert to the other Party. Waiver of a breach shall not deprive the aggrieved Party of the right to terminate this Agreement due to any subsequent breach of the other Party.

9. CONFIDENTIALITY

9.1 NON-DISCLOSURE. Subject to Section 9.2, all information, including oral disclosures, that is disclosed by one Party to another Party under this Agreement relating to intellectual property rights or technology which is subject to the assignment provisions herein, shall be treated as jointly owned confidential and proprietary information. All

other information that is disclosed by one Party to another Party with respect to the intellectual property rights or technology covered by this Agreement, or other disclosures required under this Agreement, including oral disclosures, shall be treated as confidential and proprietary information of the disclosing Party. Each Party agrees that all such confidential information, jointly owned or otherwise, shall be disclosed only to such third persons to whom disclosure is necessary to effect the purposes of this Agreement. Each Party further agrees to implement procedures and safeguards reasonably calculated to prevent any unauthorized disclosure by any persons to whom proper disclosure has been made. Upon expiration or termination of this Agreement, each Party shall return to the other Party all materials embodying confidential information owned by such other Party.

9.2 EXCLUSIONS. The limitations of confidentiality set forth in Section 9.1 shall not apply to: (i) information which, at the time of disclosure was in the public domain; (ii) information which, after disclosure becomes part of the public domain through no fault of the recipient, (iii information subsequently received by the recipient from a third party not owing a duty of confidence to the discloser, or (iv) information other than the Active Rehabilitation Technology or the Zalzala Technology which is known or within the possession of the recipient at the time of disclosure thereof.

10. DISPUTES

10.1 ARBITRATION. The Parties agree that any disputes arising under this Agreement that cannot be resolved by the Parties shall be submitted to binding arbitration pursuant to the then current Commercial Rules of the American Arbitration Association. Absent manifest error, both Parties agree to be bound, and to abide by the decision reached in such arbitration including the entry of judgment upon the award of the arbitrator(s) in such arbitration.

10.2 ARBITRATION COSTS. The cost of the arbitration shall be borne as follows: fifty percent (50%) by S&N and fifty percent (50%) by DonJoy, L.L.C. Each Party agrees to bear its own individual costs.

10.3 NOTICE. Written notice given by one Party to the other requiring a dispute to be submitted to an arbitration shall be deemed to constitute a joint submission to arbitration by both Parties.

11. MISCELLANEOUS

11.1 PUBLIC ANNOUNCEMENTS. Except as required by law, neither S&N or any of its officers, employees, representatives, advisors, agents or Affiliates, nor DonJoy, L.L.C. or any of its representatives, advisors, agents, partners, officers, employees or Affiliates, shall make, or cause to be made, any public disclosure or other announcement with respect to the transactions contemplated hereby or any term hereof without the prior written consent of the other.

11.2 NOTICES. All notices or other communications required or permitted hereunder shall be in writing and shall be delivered personally or sent by registered or certified mail, by overnight delivery or courier or by facsimile transmission, addressed as follows:

If to S&N, to:

Smith & Nephew, Inc.
1450 East Brooks Road
Memphis, TN 38116
Attention: Vice President - Finance
Facsimile: (901) 348-6207

With a copy to:

Smith & Nephew, Inc.
1450 East Brooks Road
Memphis, TN 38116
Attention: General Counsel
Facsimile: (901) 396-7824

Smith & Nephew Group Research Centre
York Science Park
Heslington
York Science Park
Heslington
York
Y01 5DF
Facsimile: 011-44-1-904-824003

If to DonJoy, L.L.C., to:

DonJoy, L.L.C
2985 Scott Street
Vista, CA 92083
Attention: General Counsel
Facsimile: (760) 734-3536

or to such other address as such Party may indicate by a notice delivered to the other Party hereto; provided that notice of change of address shall be effective only upon receipt thereof. All such notices and other communications shall be deemed effective (a) if by personal delivery, upon receipt, (b) if by registered or certified mail, on the fifth business day after the date of mailing thereof, (c) if by overnight delivery or courier, on the first business day after the date of mailing or (d) if by facsimile transmission, immediately upon receipt of a transmission confirmation, provided notice is sent on a business day between

the hours of 9:00 a.m. and 5:00 p.m., recipient's time, but if not then upon the following business day.

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11.3 ASSIGNMENT. Either Party may assign this Agreement as part of the transfer of the business to which it relates. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Any permitted assignee shall assume all obligations of its assignor under this Agreement. No assignment shall relieve any Party of responsibility for the performance of any accrued obligation which such Party then has hereunder. No Party which is in default of any provision in this Agreement shall have any assignment rights as provided in this paragraph.

11.4 EXPORT CONTROLS. Any Party that receives technical data or products agrees to comply with all United States Department of Commerce and other United States export controls. Each Party agrees that, unless prior authorization is obtained from the Office of Export Administration, it will not knowingly ship or transfer technical data covered by this Agreement or any direct product of such technical data, directly or indirectly, to any country in contravention of any Office of Export Administration requirement.

11.5 NO AGENCY, PARTNERSHIP OR JOINT VENTURE. It is understood that all parties hereto are independent contractors and engaged in the operation of their own respective businesses and no Party hereto is to be considered to be the agent or partner of the other Party for any purpose whatsoever, and no Party has authority to enter into contracts or assume any obligations for any other Party or make any warranties or representations on behalf of the other Party; and nothing in this Agreement shall be considered to establish a relationship of co-partner or joint venturers among the parties.

11.6 LIMITATION OF RIGHTS. Except as expressly provided in this Agreement, nothing contained herein shall be construed as conferring any license or other rights by implication, estoppel or otherwise, under any patent or patent applications or any copyrights, trademarks, trade names or trade dress or other intellectual property of the other Party.

11.7 ENTIRE AGREEMENT. This Agreement and its Exhibits set forth the entire agreement between the parties and supersede all previous agreements and understandings, whether oral or written, between the parties with respect to the subject matter of this Agreement.

11.8 AMENDMENT. This Agreement may not be modified, amended or discharged except as expressly stated in this Agreement or by a written agreement signed by an authorized representative of each Party.

11.9 SEVERABILITY. The provisions of this Agreement shall be deemed separable. If any provision in this Agreement shall be found or be held to be

invalid or unenforceable in any jurisdiction in which this Agreement is performed, then the meaning of that provision shall be construed, to the extent feasible, to render the provision enforceable, and if no feasible interpretation would save such provision, it shall be severed from the remainder of this Agreement which shall remain in full force and effect

unless the provisions that are invalid or unenforceable substantially impair the value of the entire Agreement to either Party.

11.10 HEADINGS. The article and section headings in this Agreement are inserted for convenience only and shall not constitute a part thereof.

11.11 FURTHER ASSURANCE. The parties shall take any and all steps and execute, acknowledge and deliver any and all further documents necessary to effectuate the intent of this Agreement.

11.12 GUARANTEE OF PERFORMANCE. Each Party hereby guarantees the performance and all obligations of its Affiliates under this Agreement.

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

11.14 WAIVERS. Any term or provision of this Agreement may be waived, or the time for its performance may be extended, by the Party or parties entitled to the benefit thereof. Any such waiver shall be validly and sufficiently authorized for the purposes of this Agreement if, as to any Party, it is authorized in writing by an authorized representative of such Party. The failure of any Party hereto to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of any Party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

11.15 SURVIVAL. The following provisions shall survive the termination or expiration of this Agreement for any reason: Sections 3.3, 9, and 7.4.

11.16 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the internal laws (as opposed to the conflicts of law provisions) of the State of Delaware.

11.17 CONSTRUCTION. This Agreement, the validity, construction, performance and interpretation thereof, and all issues and controversies arising therefrom shall be construed and enforced exclusively in accordance with the laws of the State of Delaware applicable to contracts made and to be performed

entirely within the State of Delaware without reference to its conflict of law provisions.

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

SMITH & NEPHEW, INC.	DONJOY, L.L.C.
By: /s/ Clifford K. Lomax	By: /s/ Leslie H. Cross
Name: Clifford K. Lomax	Name: Leslie H. Cross
Title: Treasurer	Title: President and CEO
Date: 6/30/99	Date: 6/30/99

EXHIBIT A

DRAFT PATENT APPLICATIONS

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EXHIBIT 10.3

SUPPLY AGREEMENT

Dated as of June 30, 1999

Between

DonJoy, L.L.C.

And

Smith & Nephew, Inc.

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SUPPLY AGREEMENT (this "Agreement"), dated as of June 30, 1999 between DonJoy, L.L.C., a Delaware limited liability company ("DonJoy, L.L.C.") and Smith & Nephew, Inc., a Delaware corporation ("S&N").

WHEREAS, pursuant to a Recapitalization Agreement dated April 29, 1999 (the "Recapitalization Agreement") among DonJoy, L.L.C., S&N and Chase DJ Partners, LLC ("Investor"), DonJoy, L.L.C. is selling Investor 645,500 Common Units of DonJoy, L.L.C. and DonJoy, L.L.C. is redeeming 2,000,000 Common Units from S&N, such that upon consummation of the transactions contemplated by the Recapitalization Agreement, Investor will own approximately a ninety percent (90%) membership interest in DonJoy, L.L.C.;

WHEREAS, it is a condition to Investor's obligations under the Recapitalization Agreement that S&N and DonJoy, L.L.C. enter into this Agreement;

WHEREAS, any term not otherwise defined herein shall have the meaning ascribed to such term in the Recapitalization Agreement; and

WHEREAS, the parties wish to provide for the continued supply to S&N by DonJoy, L.L.C. of certain products of the Business to be hereafter manufactured or sourced from third-party vendors and sold by DonJoy, L.L.C.;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, DonJoy, L.L.C. and S&N hereby agree as follows:

1. PURCHASE AND SALE OF PRODUCTS. From time to time during the term of this Agreement, DonJoy, L.L.C. will sell to S&N and S&N will purchase from DonJoy, L.L.C. the health care products listed on Schedule 1 attached hereto, or such other products as may be mutually agreed by the parties, under brand names to be mutually agreed upon by the parties (the "Products").

2. PRICES AND TERM OF SALE.

(a) The prices for the Products to be sold by DonJoy, L.L.C. to S&N pursuant to Section 1 shall be the prices currently being charged by DonJoy, L.L.C. as of the date first set forth above (the "Effective Date"). Such prices shall remain firm until December 31, 1999. No later than 90 days prior to the end of the current calendar year, DonJoy, L.L.C. shall inform S&N of its best distributor prices (including discounts and rebates offered to distributors by DonJoy, L.L.C.) for the next calendar year, which prices shall go into effect on January 1 of such calendar year if and to the extent agreed to in writing by S&N. All invoices from DonJoy, L.L.C. to S&N will be due and payable net within sixty (60) days. All shipments shall be FOB factory, all shipping charges shall be paid by S&N, and the title and risk of loss shall pass to S&N on delivery of the products to the common carrier designated by S&N. S&N shall be responsible for the payment of

taxes assessed in respect of the sale and insurance relating to Products purchased from DonJoy, L.L.C.

(b) To place an order for the Products hereunder, S&N shall deliver to DonJoy, L.L.C. purchase orders specifying the type and quantities of the Products to be purchased together with an example of the brand name and associated artwork, which purchase orders shall provide for the delivery date for the shipment. DonJoy, L.L.C. shall use commercially reasonable efforts to fill such purchase order within the time period set forth therein or, if such purchase order is for a quantity of Products that is substantially in excess of the quantity forecast by S&N pursuant to Section 3(b) for the applicable period, such other reasonable period of time as customarily required by DonJoy, L.L.C. to fill an order of such Products. For a period of forty-five (45) days following receipt of a shipment by S&N at the address specified in the applicable purchase order, S&N shall have the right of inspection and may reject any Product which (i) fails to meet specifications, (ii) was not Processed (as hereafter defined), Packaged (as hereafter defined) or shipped in compliance with applicable governmental or regulatory requirements or the provisions of this Agreement, (iii) which is defective in material or workmanship, (iv) otherwise fails to comply with the requirements of this Agreement or (v) which was damaged in transit. Any notice of rejection must be given on or before the forty-fifth (45th) day following receipt of the particular shipment of the Products by S&N, and any failure to give such notice

shall be deemed to constitute acceptance of delivery; provided, however, that notices of rejection based on latent or otherwise unapparent defects in the Products may be given at any time following receipt of the particular shipment of the Products by S&N. If any defective or damaged Products are timely rejected by S&N, DonJoy, L.L.C. shall credit the account of S&N for the portion of the invoiced amount that relates to such defective or damaged Products, such credit to be applied against the invoice relating to such defective or damaged Products if not previously paid by S&N or, if such invoice has been paid by S&N, against future purchases of S&N under this Agreement. If, in lieu of such credit, S&N requests in its rejection notice that it desires to receive replacement Products, DonJoy, L.L.C. shall ship such replacement Products at DonJoy, L.L.C.'s expense within ten (10) days after receipt of, or as otherwise provided in, the notice of rejection hereunder. If requested by DonJoy, L.L.C., S&N shall return such defective or damaged Products to DonJoy, L.L.C. at DonJoy, L.L.C.'s expense. For purposes of this Agreement, the term "Packaged" shall mean the procedure whereby the Products, or any part thereof, were inspected, labeled, packaged and packed in accordance with the requisite specifications. The term "Processed" shall mean the procedures involved in the manufacture and preparation of the Products or any part thereof in accordance with the requisite specifications.

3. QUANTITIES. (a) S&N shall have no obligation to purchase any specific or minimum quantities of Products; provided, however, that S&N shall not purchase any of the Products listed on Schedule 2 (the "Competing Products") from any Person other than DonJoy, L.L.C. without the prior written consent of DonJoy, L.L.C. Notwithstanding the preceding sentence, in the event that DonJoy, L.L.C. does not, or informs S&N that it will not, deliver such Competing Products to S&N on the terms set forth in the applicable purchase order and in accordance with this Agreement, then S&N may purchase such Competing Products from suppliers other than DonJoy, L.L.C.

("Third Party Suppliers") upon 10 days' prior notice to DonJoy, L.L.C.; provided that S&N shall not be entitled to purchase Competing Products from Third Party Suppliers if the sole reason for DonJoy, L.L.C.'s failure to deliver is S&N's refusal to pay the best distributor price for such Competing Products as set forth in Section 2(a). If S&N is entitled to purchase Competing Products from a Third Party Supplier it may do so for the period and on the terms reasonably required by such Third Party Supplier. No purchase by S&N of Competing Products from a Third Party Supplier in accordance with this Section 3(a) shall violate the noncompetition provisions of Section 8.5(a) of the Recapitalization Agreement. In addition, and by way of clarification, S&N may purchase Products other than the Competing Products (the "Noncompeting Products") from suppliers other than DonJoy, L.L.C. and may manufacture Noncompeting Products.

(b) S&N shall give DonJoy, L.L.C. a 30 day forecast at the beginning of each month of its requirements for such month.

4. SPECIFICATIONS AND QUALITY CONTROL.

(a) DonJoy, L.L.C. warrants that the Products sold pursuant to this Agreement (i) shall be Processed and Packaged in strict accordance with the specifications and quality control standards in effect immediately prior to the Effective Date (the "Specifications"); (ii) will be Processed and Packaged in accordance with all applicable laws, rules, orders and regulations, including good manufacturing practice, ISO and CE Marking requirements; (iii) will be free from defects in materials and workmanship; (iv) are merchantable and fit for the purposes for which the products were manufactured; (v) will be free of all liens and encumbrances; and (vi) will not be adulterated or misbranded within the meaning of the United States Food, Drug and Cosmetic Act or of any other applicable law, rule, order or regulation.

(b) DonJoy, L.L.C. warrants that it shall maintain all material permits, registrations, licenses and any other approvals necessary to Package, Process and supply the Products under this Agreement.

5. TERM.

(a) This Agreement shall remain in full force and effect until June 18, 2004 (the "Term") and shall be renewed or extended only on the formal written agreement of the parties.

(b) Without waiving any other rights or remedies which may be available for breach or default of this Agreement, a party hereto may terminate this Agreement on thirty (30) days' written notice to the other party if:

(i) The other party makes an assignment for the benefit of creditors.

(ii) A receiver shall be appointed to take over all or a substantial part of the other party's business or property and such receivership shall not have been vacated or stayed within thirty (30) days.

(iii) The other party commences any proceeding relating to itself under any bankruptcy, insolvency, and readjustment of debt, arrangement with creditors, dissolution, liquidation or similar laws of any jurisdiction now or hereafter in effect.

(iv) The other party is adjudicated insolvent or

an order for relief is entered against such party under applicable bankruptcy law.

(v) The other party materially fails to perform any part of this Agreement or the Recapitalization Agreement or any other agreement contemplated thereby and, upon written notice of such failure by the other party, fails to remedy the same within thirty (30) days of such notice.

6. CONFIDENTIALITY. During the term hereof and for a period of five (5) years thereafter, the parties agree that they will maintain in confidence all Confidential Information of the other party, and will not disclose such Confidential Information to any third party. As used herein, the term "Confidential Information" means technical, business, customer, marketing, financial, corporate or any other information of a party, or of its subsidiaries, affiliates or parent companies, which, whether or not pursuant to this Agreement, is disclosed orally or in writing or which another party obtains by any other means, excluding information which (i) is or becomes available to such party from a source other than such party, (ii) is or becomes available to the public other than as a result of disclosure by such party or its agents, or (iii) is required to be disclosed under applicable law or judicial process, but only to the extent it must be disclosed.

7. INDEMNIFICATION AND INSURANCE.

(a) DonJoy, L.L.C. will indemnify and hold S&N and its officers and affiliates harmless from and against any liability, damage, claims, cost or expense (including reasonable attorney's fees) ("Losses") arising out of (i) any injury, death or property damage arising out of the negligence or willful misconduct of DonJoy, L.L.C. or its employees or agents (except to the extent that such injury, death or damage was caused by the negligent act or willful misconduct of S&N) in any action or proceeding brought by any third party respecting such claim; (ii) DonJoy, L.L.C.'s negligent act or omission; (iii) DonJoy, L.L.C.'s misstatements or false claims with respect to the Products; (iv) any product liability claims relating to the Products (other than those resulting from S&N's or any third party's fault which do not give rise to an indemnifiable claim against DonJoy, L.L.C. by S&N under the Recapitalization Agreement); (v) any governmentally-required recall of Products (other than those resulting from S&N's or a third party's fault which do not give rise to an indemnifiable claim against DonJoy, L.L.C. by S&N under the Recapitalization Agreement); (vi) DonJoy, L.L.C.'s failure to

comply with DonJoy, L.L.C.'s obligations, covenants, and representations and warranties under this Agreement; and (vii) any claim of infringement by any third party of any patents or any claimed violation of any other intellectual property right of any third party arising in connection with the sale or

distribution of Products pursuant hereto; provided, however, that in no event will S&N have any right to claim indemnity under this Section 7 if the events, facts or circumstances giving rise to such claim constitute a breach of any of the obligations, covenants, and representations and warranties of S&N contained in the Recapitalization Agreement, or otherwise give rise to an indemnifiable claim against S&N by DonJoy, L.L.C. thereunder. In order to ensure DonJoy, L.L.C.'s performance, DonJoy, L.L.C. shall obtain and maintain during the term of this Agreement at least Three Million Dollars ($3 million) of product liability and general public liability insurance with a deductible or self-insurance of no more than One Hundred Thousand Dollars ($100,000). DonJoy, L.L.C. shall name S&N as an additional insured party on such insurance and shall provide S&N with a certificate evidencing such coverage.

(b) S&N will indemnify and hold DonJoy, L.L.C. and DonJoy, L.L.C.'s officers, managers, equity holders and affiliates harmless from and against any and all Losses arising out of (i) any injury, death or property damage arising out of the negligence or willful misconduct of S&N or its employees or agents (except to the extent that such injury, death or damage was caused by the negligent act or willful misconduct of DonJoy, L.L.C.) in any action or proceeding brought by any third party respecting such claim; (ii) S&N's negligent act or omission; (iii) S&N's misstatements or false claims with respect to the Products; (iv) S&N's misuse of the Product literature; and (v) S&N's failure to comply with its obligations, covenants, and representations and warranties hereunder.

(c) Indemnification Procedures

Each party shall be entitled to the indemnify described in paragraphs (a) and (b) of this Section provided the following conditions are met; the party obliged to provide indemnification is referred to as the "Indemnifying Party", and the party entitled to be indemnified is referred to as the "Indemnified Party":

(i) Promptly upon learning of any claim for which indemnification is sought from the Indemnifying Party, the Indemnified Party shall notify the Indemnifying Party of such claim and shall furnish to the Indemnifying Party all information known and available to the Indemnified Party related to such claim.

(ii) In the event of the commencement of litigation on the basis of such claim, the Indemnified Party shall tender the defense of such litigation to the Indemnifying Party.

(iii) The Indemnified Party shall comply with any such reasonable instructions received from the Indemnifying Party relating to

settlement of such claim (unless settlement of the claim would establish an adverse precedent for other similar claims in the future), if any, to the extent that it lies within the power of the Indemnified Party to comply with any such instructions, excluding any instruction that requires the Indemnified Party to license or otherwise make available technology or other confidential information to a third party.

(iv) If the Indemnifying Party undertakes defense of such litigation, the Indemnifying Party shall be entitled to appoint its attorneys to defend the case in the name of the Indemnified Party, and the Indemnified Party shall cooperate fully with the Indemnifying Party and its chosen attorneys in the defense of such litigation. The Indemnified Party shall be free to appoint its own attorneys in the same litigation, at its sole expense, although all decisions with respect to the conduct or settlement of such litigation shall remain solely with the Indemnifying Party.

8. INDEPENDENT CONTRACTORS. Each party shall be treated for all purposes as an independent contractor and not as an agent or representative of the other party. Each party shall be responsible for complying with laws and regulations applicable to its business, for obtaining required licenses and permits, for the payment of applicable taxes, and for the conduct and compensation of its own employees.

9. NOTICES. All notices or other communications required or permitted hereunder shall be in writing and shall be deemed given or delivered when delivered personally or when sent by registered or certified mail or by private courier addressed as follows:

If to DonJoy, L.L.C., to:

DonJoy, L.L.C.
2985 Scott Street
Vista, California 92083-8339
Attention: President

If to S&N, to:

Smith & Nephew, Inc.
1450 Brooks Road
Memphis, Tennessee 38116
Attention: General Counsel

or to such other address as such party may indicate by a notice delivered to the other party hereto.

10. SUCCESSORS AND ASSIGNS. This Agreement shall not be assignable by either party without the written consent of the other party; provided, however, that DonJoy, L.L.C. may assign its rights and obligations under this Agreement to any of its affiliates or subsidiaries (including DJ Orthopedics, LLC) without the consent of S&N; provided further, that neither party hereto shall be released from any of its obligations hereunder by reason of any such assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and permitted assigns.

11. ENTIRE AGREEMENT; AMENDMENTS. This Agreement contains the entire understanding of the parties hereto with regard to the subject matter contained herein and supersedes all prior agreements, understandings or letters of intent between or among any of the parties hereto. Contrary provisions in any purchase order, invoice or other commercial documentation shall be of no force and effect. This Agreement shall not be amended, modified or supplemented except by a written instrument signed by an authorized representative of each of the parties hereto.

12. INTERPRETATION. Headings to sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

13. WAIVERS. Any term or provision of this Agreement may be waived, or the time for its performance may be extended, by the party or parties entitled to the benefit thereof. Any such waiver shall be validly and sufficiently authorized for the purposes of this Agreement if it is authorized in writing by the other party. The failure of any party hereto to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of any party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

14. FORCE MAJEURE. The obligations and performance of a party hereto shall be excused if made impossible by strikes, riots, fire, inability to obtain or shortages of labor, materials, equipment or transportation, war, acts of God, natural disasters or other causes beyond the reasonable control of the party and acts in compliance with applicable law, regulation or order (whether valid or invalid of any governmental body).

15. PARTIAL INVALIDITY. Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or unenforceability without invalidating the remainder of such invalid, illegal or unenforceable provision or provisions or any other provisions hereof, unless such a construction would be unreasonable.

16. EXECUTION IN COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement, and shall become binding when one or more counterparts have been signed by each of the parties hereto and delivered to each of DonJoy, L.L.C. and S&N. An executed copy hereof delivered by facsimile shall be deemed an original instrument.

17. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the internal laws (as opposed to the conflicts of law provisions) of the State of Delaware.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed the day and year first above written.

DONJOY, L.L.C.

By: /s/ Leslie H. Cross

Name: Leslie H. Cross
Title: President and CEO

SMITH & NEPHEW, INC.

By: /s/ Clifford K. Lomax

Name: Clifford K. Lomax
Title: Treasurer

[SIGNATURE PAGE TO SUPPLY AGREEMENT]

SCHEDULE 1

PRODUCT LISTING

1. All ProCare line products (including ProCare OEM products).

2. All DonJoy products listed in the Rehabilitation Division, Smith & Nephew, Inc. 1999 Catalog for the United States (including DonJoy OEM products) and any replacement and substitutions therefor and improvement thereto; provided that S&N shall not export any such products from the United States after March 31, 2000.

SCHEDULE 2

Schedule 8.5(a)(ii) to the Recapitalization Agreement and the provisions of Section 8.7 of the Recapitalization Agreement relating to high tech hinged knee braces incorporating technology covered by the Victoria Patents (as defined in the Recapitalization Agreement) are incorporated by reference herein.

EXHIBIT 10.4

TRANSITION SERVICES AGREEMENT

This Transition Services Agreement (this "Agreement") is made and entered into as of this 30th day of June, 1999, by and between Smith & Nephew Inc., a Delaware corporation (hereinafter "S&N"), and DonJoy, L.L.C., a Delaware limited liability company (hereinafter "DonJoy, L.L.C.").

WHEREAS, pursuant to the Recapitalization Agreement, dated as of April 29, 1999 (the "Recapitalization Agreement") by and among S&N, DonJoy, L.L.C. and Chase DJ Partners, LLC ("Investor"), DonJoy, L.L.C. is selling to Investor 645,000 Common Units of DonJoy, L.L.C. and DonJoy, L.L.C. is redeeming 2,000,000 Common Units from S&N, such that upon consummation of the transactions contemplated by the Recapitalization Agreement Investor will own approximately a ninety percent (90%) membership interest in DonJoy, L.L.C. (capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Recapitalization Agreement);

WHEREAS, it is a condition to Investor's obligations under the Recapitalization Agreement that S&N and DonJoy, L.L.C. enter into this Agreement; and

WHEREAS, in accordance with the Recapitalization Agreement, S&N wishes to assist DonJoy, L.L.C. with the transfer and transition of the Business and DonJoy, L.L.C. wishes to obtain such assistance, all on the terms and conditions herein described.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, S&N and DonJoy, L.L.C. do hereby agree as follows:

I. SERVICES

In this Agreement, "Services" shall mean those services provided by S&N to DonJoy, L.L.C. as listed and described on Exhibit A hereto and such other services as the parties may mutually agree.

I. DELIVERY OF SERVICES

a) The Services shall be performed by employees, representatives or agents of S&N as may be selected by S&N and which are reasonably acceptable to DonJoy, L.L.C. The Services shall be provided at times that are mutually agreeable to the parties.

b) The parties hereto shall be treated for all purposes as independent contractors and not as an agent or representative of the other party and

neither has any power, right or authority to bind the other party or to assume or to create any obligation or responsibility, express or implied, on behalf of the other party. Nothing stated in this Agreement shall be construed as constituting DonJoy, L.L.C. and S&N as partners or as members of a joint venture, or as creating the relationship of employer and employee, master and servant, or principal and agent between them.

I. TERM AND TERMINATION

a) This Agreement shall commence on the date hereof and, except as provided in Exhibit A, shall expire on December 31, 1999 DonJoy, L.L.C. shall have the right to terminate any Service to be provided under this Agreement by providing S&N with at least thirty (30) days prior written notice.

b) Either party may terminate this Agreement by written notice having immediate effect in the event that any of the following events occur: (1) a receiver is appointed over any of the assets of the other party and such receivership shall not have been vacated or stayed within thirty (30) days; (2) the other party is unable to pay its debts as they mature or ceases to pay its debts as they mature in the ordinary course of business or makes an assignment for the benefit of its creditors; (3) any voluntary proceedings are commenced by or for the other party under any bankruptcy, insolvency, or debtors' relief law; or for any proceedings commenced against the other party under any bankruptcy, insolvency or debtors' relief law and such proceeding is not vacated or set aside within thirty (30) days from the date of commencement thereof.; or (4) material default by the other party under its respective Ancillary Agreements.

c) Any material breach of any term of this Agreement shall entitle the other party to terminate this Agreement provided the non-breaching party first gives notice to the breaching party and permits the breaching party twenty (20) days to cure such breach, provided that in the event of delay of payment by DonJoy, L.L.C. the cure period shall be five (5) days. The right to terminate shall be in addition to all other rights and remedies available at law or in equity.

4. INDEMNIFICATION

a) Indemnification by S&N

S&N agrees to defend, indemnify and hold harmless DonJoy, L.L.C. and DonJoy, L.L.C.'s officers, managers, equity holders and Affiliates from and against any and all claims, actions, damages, losses, costs, liabilities and expenses (including without limitation reasonable attorneys' fees) (hereinafter "Losses") sustained or incurred by DonJoy, L.L.C. as a consequence of (i) any

injury, death or property damage arising out of the negligence or willful misconduct of S&N or its employees or agents (except to the extent that such injury, death or damage was caused by the negligent act or willful misconduct of DonJoy, L.L.C.) in any action or proceeding brought by any third party respecting such claim, (ii) S&N's negligent act or omission, or (iii) S&N's failure to comply with its obligations hereunder.

b) Indemnification by DonJoy, L.L.C.

DonJoy, L.L.C. shall indemnify, defend and hold harmless S&N and S&N's officers, directors, equity holders and Affiliates from and against any Losses as a consequence of (i) any injury, death or property damage arising out of the negligence or

willful misconduct of DonJoy, L.L.C. or its employees or agents (except to the extent that such injury, death or damage was caused by the negligent act or willful misconduct of S&N) in any action or proceeding brought by any third party respecting such claim, (ii) DonJoy, L.L.C.'s negligent act or omission, (iii) DonJoy, L.L.C.'s failure to comply with its obligations hereunder, (iv) any claim made in respect of an International Employee (as hereinafter defined) for actions or omissions after the Closing Date or (v) claim made in respect of any product of the Business sold by DonJoy, L.L.C. under any Group Purchasing Contract (as hereinafter defined).

c) Indemnification Procedures

Each party shall be entitled to the indemnity described in paragraphs (a) and (b) of this Section provided the following conditions are met; the party obliged to provide indemnification is referred to as the "Indemnifying Party", and the party entitled to be indemnified is referred to as the "Indemnified Party":

(i) Promptly upon learning of any claim for which indemnification is sought from the Indemnifying Party, the Indemnified Party shall notify the Indemnifying Party of such claim and shall furnish to the Indemnifying Party all information known and available to the Indemnified Party related to such claim.

(ii) In the event of the commencement of litigation on the basis of such claim, the Indemnified Party shall tender the defense of such litigation to the Indemnifying Party.

(iii) The Indemnified Party shall comply with any such reasonable instructions received from the Indemnifying Party relating to settlement of such claim (unless settlement of the claim would establish an adverse precedent

for other similar claims in the future), if any, to the extent that it lies within the power of the Indemnified Party to comply with any such instructions, excluding any instruction that requires the Indemnified Party to license or otherwise make available technology or other confidential information to a third party.

(iv) If the Indemnifying Party undertakes defense of such litigation, the Indemnifying Party shall be entitled to appoint its attorneys to defend the case in the name of the Indemnified Party, and the Indemnified Party shall cooperate fully with the Indemnifying Party and its chosen attorneys in the defense of such litigation. The Indemnified Party shall be free to appoint its own attorneys in the same litigation, at its sole expense, although all decisions with respect to the conduct or settlement of such litigation shall remain solely with the Indemnifying Party.

d) Insurance

Each party shall maintain at its own expense general public liability coverage of not less than Three Million Dollars ($3,000,000) per occurrence with respect to bodily injury and death and Three Million Dollars ($3,000,000) per occurrence with

respect to property damage for each claim with a deductible of no more than Two Hundred Fifty Thousand Dollars ($250,000). Each party shall provide the other with a certificate of insurance showing coverage and showing that the other has been named as an additional insured. Further, each party's insurer shall give the other party at least thirty (30) days prior written notice of any proposed cancellation or modification of the product liability insurance policy.

5. GOVERNMENTAL PERMITS AND COMPLIANCE WITH LAWS

a) The parties shall maintain all governmental permits required in order to perform their respective obligations under this Agreement. The parties shall comply with all laws, rules and regulations in all material respects; provided that DonJoy, L.L.C. shall have the sole responsibility for compliance with all laws, rules and regulations relating to the Business.

6. MISCELLANEOUS

a) This Agreement shall be amended or modified only by a written instrument executed by the duly authorized representatives of both parties.

b) The waiver by either party of a breach or default in any of the provisions of this Agreement by the other party shall not be construed as a waiver of any succeeding breach of the same or any other provision.

c) All notices under this Agreement shall be in writing and shall be

sufficient if delivered in accordance with the requirements of the Recapitalization Agreement.

d) The construction, performance and enforcement of this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (other than conflicts of law provisions).

e) If any provision of this Agreement shall be held to be invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

f) Any controversy or claim arising out of or relating to this Agreement, or any breach thereof, including, without limitation, any claim that any of said Agreement, or any part thereof, is invalid, illegal or otherwise voidable or void, shall be submitted to arbitration in accordance with the Commercial Rules of the American Arbitration Association; provided, however, that this clause shall not be construed to limit or to preclude either party from bringing any action in any court of competent jurisdiction for injunctive or other provisional relief as necessary or appropriate. The arbitration shall be conducted in Chicago.

g) This Agreement contains the entire agreement between the parties with respect to the subject matter hereof. The parties represent that, in entering into this

Agreement, they are not relying upon any previous representation, inducement or agreement of any kind.

h) In the event of arbitration and/or litigation over any controversy or claim arising out of or relating to this Agreement, or any breach thereof, the prevailing party shall be entitled to recover its reasonable attorneys fees and expenses in connection with such arbitration and/or litigation.

i) All Exhibits attached hereto are incorporated into this Agreement by reference.

j) Neither party may assign this Agreement without the written consent of the other party, which consent shall not be unreasonably withheld; provided, however, that DonJoy, L.L.C. may assign its rights and obligations under this Agreement to any Affiliate or subsidiary (including DJ Orthopedics, LLC) without the prior written consent of S&N; provided further, that neither party hereto shall be released from any of its obligations hereunder by reason of any such assignment.

k) S&N shall be not liable for its failure to perform its obligations

under this Agreement due to events beyond its reasonable control including, but not limited to, strikes, riots, wars, fire, acts of God, inability to obtain or shortages of labor, materials, equipment or transportation and acts in compliance with applicable law, regulation, or order (whether valid or invalid) of any governmental body.

[Remainder of Page Intentionally Left Blank]

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

DonJoy, L.L.C.	Smith & Nephew, Inc.,
By: /s/ Leslie H. Cross	By: /s/ Clifford K. Lomax
Title: President and CEO	Title: Treasurer

[Signature Page to Transition Services Agreement]

EXHIBIT A

SERVICES

The following Services are to be provided at no additional consideration beyond that set forth herein, provided, however, DonJoy, L.L.C. shall reimburse S&N for all payments made by S&N to third parties in conjunction with the services:

1. Continue Steven Murphy and Lieve Vandem Berghe (collectively "International Employees") as employees of S&N's affiliates in the United Kingdom and Belgium, respectively, until the earlier of: (a) fifteen (15) days following receipt of written notice from DonJoy, L.L.C.; or (b) December 31, 1999. DonJoy, L.L.C. shall reimburse S&N's affiliates in the United Kingdom and Belgium, as applicable, for all compensation, expenses and benefits paid or provided to or on behalf of the International Employees. The appropriate S&N affiliate will invoice DonJoy, L.L.C. for all such amounts, which amounts shall be paid by DonJoy, L.L.C. to such affiliate within thirty (30) days in the currency designated in by such affiliate. DonJoy L.L.C.'s obligation to reimburse S&N for expenses shall include the actual expense for providing such benefits in addition to a reasonable

charge for administering the benefits and benefit plans. The level of compensation to be paid to the International Employees shall be the same is currently as paid to the International Employees as of the date hereof, unless the compensation is adjusted by written notice from DonJoy, L.L.C. to S&N. The benefits to be provided to the International Employees shall be similar to those provide to the International Employees prior to the date of this Agreement.

2. Support the orderly transition of services for human resource support relating to the Business.

3. Assist in the transition of the employee payroll tax function relating to the Business from S&N to DonJoy, L.L.C.

4. Assist in the transition of the sales tax reporting function relating to the Business from S&N to DonJoy, L.L.C.

5. Assist in the transition of the master group buying company contracts listed on Schedule 1 that include products of the Business from the master contract with S&N (collectively the "Group Purchasing Contracts") to a separate agreement or arrangement for the benefit of DonJoy, L.L.C. At the written request of DonJoy, L.L.C. and conditioned upon approval of the other party to the respective Group Purchasing Contract if such approval is required under such Group Purchasing Contract, S&N shall permit DonJoy, L.L.C. to sell the products of the Business under and pursuant to the Group Purchasing Contracts in accordance with the terms of a subcontract between the Parties ("Subcontract Arrangement"). The Subcontract Arrangement relating to any Group Purchasing Contract will commence within a reasonable period of time following the receipt of the request and end on the earlier of

(a) such time as DonJoy, L.L.C. enters into a contract to replace such Group Purchasing Contract; (b) such Group Purchasing Contract terminates; and (c) thirty (30) days after DonJoy, L.L.C. notifies S&N that it no longer wishes to purchase products pursuant to such Group Purchasing Contract. The Parties shall negotiate in good faith with respect to the processes and procedures and other terms of each Subcontract Arrangement, which shall be substantially similar to the processes and procedures followed as of the date of this Agreement; provided that, unless otherwise agreed by the Parties, prior to January 1, 2000 DonJoy, L.L.C. shall not be required to pay S&N any fee for products subject to a Subcontract Arrangement and, on and after January 1, 2000, DonJoy, L.L.C. shall pay S&N a fee equal to 1.5% of DonJoy, L.L.C.'s gross sales for products subject to a Subcontract Arrangement.

6. Store the assets of DonJoy, L.L.C., including shelving, racks and obsolete inventory, located at 2777 Loker Avenue, Carlsbad, CA (the "Premises") on the date hereof (the "Stored Assets") until the earlier of (a) 10 business days after S&N gives notice to DonJoy, L.L.C. that (i) S&N or its subtenant desires to use the Premises or (ii) the removal of the Stored Assets is required by the owner of the Premises, and (b) December 31, 1999. DonJoy, L.L.C., at its own expense, shall remove the Stored Assets from the Premises within 5 business days after the termination of DonJoy, L.L.C.'s storage rights pursuant to the preceding sentence.

7. Assist in the transition of documents relating to the Business in the possession or under the control of S&N's Legal Department. Assist in the transition of the legal function relating to the Business from S&N to DonJoy, L.L.C.

8. Assist in the transfer of the treasury and cash management functions relating to the Business from S&N to DonJoy, L.L.C.

9. S&N will act as authorized European representative for CE regulation through December 31, 1999.

Schedule 1

Novation
Premier
AmeriNet

EXHIBIT 10.5

DISTRIBUTION AGREEMENT

Dated as of June 30, 1999

Among

DonJoy, L.L.C.
And

Smith & Nephew, Inc.
Smith & Nephew GMBH, Austria
Smith & Nephew GMBH, Germany
Smith & Nephew OY, Finland
Smith & Nephew Nederland BV, Holland
Smith & Nephew K.K., Japan
Smith & Nephew LDA., Portugal
Smith & Nephew (Belgium) S.A. - N.V., Belgium
Smith & Nephew FZE, Dubai
Smith & Nephew Medical Limited, India
Smith & Nephew Limited, Korea
Smith & Nehpew (Malaysia) Ltd., Malaysia
Smith & Nephew (Overseas) Limited Philippine Branch
Smith & Nephew Inc., Puerto Rico
Smith & Nephew Limited, Thailand
Smith & Nephew AB, Sweden
Smith & Nephew Limited, Ireland
Smith & Nephew Laboratoires Fisch SA, France
Smith & Nephew AG, Switzerland
Smith & Nephew S.r.I., Italy
Smith & Nephew A/S, Norway
Smith & Nephew Iberica S.A., Spain
Smith & Nephew A/S, Denmark
Smith & Nephew Medical Limited, UK
Smith & Nephew Pty. Limited, Australia
Smith & Nephew Pte. Limited, Singapore
Smith & Nephew Limited, Hong Kong
Smith & Nephew SA de CV, Mexico
Smith & Nephew Inc., Canada
Smith & Nephew Limited, South Africa
Smith & Nephew Limited (New Zealand)
And
Smith & Nephew (Far East) - Taiwan Branch

DISTRIBUTION AGREEMENT

DISTRIBUTION AGREEMENT, (this "Agreement") dated as of June 30, 1999 among DonJoy, L.L.C., a Delaware limited liability company ("DonJoy, L.L.C."), Smith & Nephew, Inc., a Delaware corporation ("S&N"), and the affiliates of S&N listed on Schedule 1 hereto (the "S&N Group Companies").

WHEREAS, pursuant to a Recapitalization Agreement dated April 29, 1999 (the "Recapitalization Agreement") among DonJoy, L.L.C., S&N and Chase DJ Partners, LLC ("Investor"), DonJoy, L.L.C. is selling Investor 645,500 Common Units of DonJoy, L.L.C. and DonJoy, L.L.C. is redeeming 2,000,000 Common Units from S&N, such that upon consummation of the transactions contemplated by the Recapitalization Agreement, Investor will own approximately a ninety percent (90%) membership interest in DonJoy, L.L.C.;

WHEREAS, it is a condition to Investor's obligations under the Recapitalization Agreement that S&N and DonJoy, L.L.C. enter into this Agreement;

WHEREAS, any term not otherwise defined herein shall have the meaning ascribed to such term in the Recapitalization Agreement; and

WHEREAS, the parties wish to provide for the continued distribution by S&N Group Companies of certain products of the Business to be hereafter manufactured or sourced from third-party vendors and sold by DonJoy, L.L.C.;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, DonJoy, L.L.C., S&N and the S&N Group Companies hereby agree as follows:

1. PURCHASE AND SALE OF PRODUCTS. From time to time during the

term of this Agreement, DonJoy, L.L.C. will sell to S&N and S&N will purchase from DonJoy, L.L.C. certain health care products as set forth in Schedule 1 attached hereto under the "DonJoy", "ProCare" and other brand names of the specific type manufactured or purchased from third parties, and sold on and prior to the date hereof by the Business and such other products as may be generally offered for sale by DonJoy, L.L.C. during the Term (as hereinafter defined) of this Agreement (the "Products").

2. PRICES AND TERM OF SALE. (a) Except as otherwise noted in Schedule 2, S&N will pay the same transfer prices charged by S&N for equivalent Products on its sales to S&N Group Companies immediately prior to the date first set forth above (the "Effective Date"). Such prices shall remain firm until December 31, 1999. Thereafter, DonJoy, L.L.C. and S&N agree to renegotiate the price of any Product in good faith. Such renegotiations shall be finalized on or before September 1, 1999. All invoices from DonJoy, L.L.C. to S&N will be due and payable net within sixty (60) days. All shipments shall be sent FOB factory and all shipping charges shall be paid by S&N, and

the title and risk of loss shall pass to S&N on delivery of the products to the common carrier designated by S&N. S&N shall be responsible for the payment of taxes assessed in respect of the sale, import duties and insurance relating to Products purchased from DonJoy, L.L.C. All amounts to be paid or credited and the prices set forth hereunder shall be denominated in United States dollars. Shipments shall be made either to the Territory (as hereinafter defined) or a consolidation center designated by S&N in accordance with practices in effect as of the Effective Date; provided that S&N shall provide information with respect to in-market sales to DonJoy, L.L.C.

To place an order for the Products hereunder, S&N Group Companies shall deliver to DonJoy, L.L.C. purchase orders specifying the type and quantities of the Products to be purchased, which purchase orders shall provide for the delivery date for the shipment. DonJoy, L.L.C. shall use commercially reasonable efforts to fill any such purchase order within the time period set forth therein or such other reasonable period of time as is customarily required for DonJoy, L.L.C. to fill an order of such Products within the specified time requested on such order. For a period of forty-five (45) days following receipt of a shipment by an S&N Group Company at the address specified in the applicable purchase order, such S&N Group Company shall have the right of inspection and may reject any Product which (a) fails to meet specifications, (b) which was not Processed (as hereafter defined), Packaged (as hereafter defined) or shipped in compliance with applicable governmental or regulatory requirements or the provisions of this Agreement, (c) which is defective in material or workmanship, (d) otherwise fails to comply with the requirements of this Agreement or (e) which was damaged in transit prior to delivery to the common carrier designated by S&N. Any notice of rejection must be given on or before the forty-fifth (45th) day following receipt of the particular shipment of the Products by such S&N Group Company, and any failure to give such notice shall be deemed to constitute acceptance of delivery; provided, however, that notices of rejection based on latent or otherwise unapparent defects in the Products may be given at any time following receipt of the particular shipment of the Products by S&N Group Companies. If any defective or damaged Products are timely rejected by an S&N Group Company, DonJoy, L.L.C. shall credit the account of the S&N Group Companies for the portion of the invoiced amount that relates to such defective or damaged Products, such credit to be applied against the invoice relating to such defective or damaged Products if not previously paid by S&N Group Companies or, if such invoice has been paid by S&N Group Companies, against future purchases of S&N Group Companies under this Agreement. If, in lieu of such credit, a S&N Group Company requests in its rejection notice that it desires to receive replacement Products, DonJoy, L.L.C. shall ship such replacement Products at DonJoy, L.L.C.'s expense within ten (10) days after receipt of, or as otherwise provided in, the notice of rejection hereunder. If requested by DonJoy, L.L.C., S&N Group Companies shall return such defective or damaged Products to DonJoy, L.L.C. at DonJoy, L.L.C.'s expense. For purposes of this Agreement, the term "Packaged" shall mean the procedure whereby the Products, or any part thereof, were inspected, labeled, packaged and packed in accordance with the requisite specifications. The term "Processed" shall mean the procedures involved in the manufacture and preparation of the Products or any part thereof in accordance with the requisite specifications.

3. QUANTITIES. During the term of this Agreement, S&N will use its commercially reasonable efforts to have S&N Group Companies purchase, subject to changing market conditions, from DonJoy, L. L.C. the same quantities of Products included in DonJoy, L.L.C. budgets set forth on Schedule 3, ("1999 Purchase Level"); provided, however, that the S&N Group Companies shall not be subject to any minimum purchase requirements. S&N shall give DonJoy, L.L.C. a 30 day forecast at the beginning of each month of its requirements for such month. DonJoy, L.L.C. will use its commercially reasonable efforts to supply and sell to the S&N Group Companies the quantities of the Products that S&N Group Companies desire to purchase under this Agreement. DonJoy, L.L.C. agrees

that it will sell to S&N Group Companies, pursuant to purchase orders properly delivered pursuant to Section 2 hereof, quantities of Products at least equal to the 1999 Purchase Level. DonJoy, L.L.C. shall, if DonJoy, L.L.C. reasonably determines that its available manufacturing capacity permits, and may, in its sole discretion if otherwise, agree to sell quantities of Products in excess of the 1999 Purchase Level.

4. DISTRIBUTION AND RESALE. S&N will use its commercially reasonable efforts to have each S&N Group Company distribute and resell, subject to changing market conditions, the Products in the same geographical markets within the Territories. DonJoy, L.L.C. shall make available to S&N at the same costs in effect as of the Effective Date, adequate and reasonable sales literature, promotional support, training and samples of Products of the same quality and quantity as S&N made available to the S&N Group Companies prior to the Effective Date. The S&N Group Companies shall not sell or supply the Products or other products similar to the Products (other than products (not Products) that the S&N Group Companies are selling or supplying as of the Effective Date) to any other person, firm or corporation operating outside the Territories without the prior written consent of DonJoy, L.L.C.

5. SPECIFICATIONS AND QUALITY CONTROL. (a) DonJoy, L.L.C. warrants that the Products sold pursuant to this Agreement (i) shall be Processed and Packaged in strict accordance with the specifications and quality control standards in effect immediately prior to the Effective Date (the "Specifications"); (ii) will be Processed and Packaged in accordance with all applicable laws, rules, orders and regulations, including good manufacturing practice, ISO and CE Marking requirements; (iii) will be free from defects in materials and workmanship; (iv) are merchantable and fit for the purposes for which the products were manufactured; (v) will be free of all liens and encumbrances; and (vi) will not be adulterated or misbranded within the meaning of the United States Food, Drug and Cosmetic Act or of any other applicable law, rule, order or regulation.

(b) DonJoy, L.L.C. warrants that it shall maintain all material permits, registrations, licenses and any other approvals necessary to Package, Process and supply the Products under this Agreement.

6. DUTIES OF THE S&N GROUP COMPANIES. S&N and each S&N Group Company agrees that during the term hereof each S&N Group Company will employ

efforts and methods to sell and promote the sale of the Products in its respective Territory that are substantially the same as to the efforts and methods employed by such S&N Group Company prior to the date hereof.

7. EXCLUSIVITY. (a) In connection with each S&N Group Company acting as a distributor of the Products in the territory indicated next to such S&N Group Company on Schedule 1 hereto (each, a "Territory" and collectively, the "Territories"), each S&N Group Company shall not, while the Territory is subject to this Agreement, directly or indirectly, personally or, knowingly, through an intermediary:

(i) import, sell or promote or be engaged in the sale of any of the products listed on Schedule 8.5(c) to the Recapitalization Agreement other than products purchased from DonJoy, L.L.C.;

(ii) seek customers, establish a branch or maintain a distribution depot outside its Territory;

(iii) incur any liability or assume any obligation of any kind on behalf of DonJoy, L.L.C. or in any way pledge or purport to pledge DonJoy, L.L.C.'s credit or accept any order to make any contract binding upon DonJoy, L.L.C. without DonJoy, L.L.C. first approving in writing the terms thereof; or

(iv) misrepresent DonJoy, L.L.C.'s descriptions or indications for use of the Products.

(b) DonJoy, L.L.C. shall not sell or supply the Products or any products similar to the Products to any other person, firm or corporation operating in the Territories without the prior written consent of S&N.

8. TERM. (a) This Agreement shall remain in full force and effect until the termination of the last Territory under this Agreement. (the "Term").

(b) Notwithstanding anything contained herein to the contrary, S&N shall have the right to terminate this Agreement with respect to any individual Territory or Territories, without terminating the entire Agreement: (i) on sixty (60) days prior written notice to DonJoy, L.L.C. with respect to Territories listed in Column "A" on Schedule 1; and (ii) on sixty (60) days

prior written notice to DonJoy L.L.C. with respect to Territories listed in Columns "B" and "C" on Schedule 1, but in no event shall notice be given prior to November 1, 1999.

(c) Notwithstanding anything contained herein to the contrary, DonJoy, L.L.C. shall have the right to terminate this Agreement with respect to any individual Territory or Territories, without terminating the entire Agreement: (i) on thirty (30) days prior written notice to S&N with respect to Territories listed in Column "A" on Schedule 1; (ii) on sixty (60) days prior written notice to S&N with respect to Territories listed in

Column "B" on Schedule 1, but in no event shall notice be given prior to August 1, 1999 ; and (iii) on sixty (60) days prior written to S&N with respect to Territories listed in Column "C" on Schedule 1, but in no event shall notice be given prior to November 1, 1999.

(d) Without waiving any other rights or remedies which may be available for breach or default of this Agreement, a party hereto may terminate this Agreement on thirty (30) days' written notice to the other party if:

(i) The other party makes an assignment for the benefit of creditors.

(ii) A receiver shall be appointed to take over all or a substantial part of the other party's business or property and such receivership shall not have been vacated or stayed within thirty (30) days.

(iii) The other party commences any proceeding relating to itself under any bankruptcy, insolvency, and readjustment of debt, arrangement with creditors, dissolution, liquidation or similar laws of any jurisdiction now or hereafter in effect.

(iv) The other party is adjudicated insolvent or an order for relief is entered against such party under applicable bankruptcy law.

(v) The other party materially fails to perform any part of this Agreement or the Recapitalization Agreement or any other agreement contemplated thereby and, upon written notice of such failure by the other party, fails to remedy the same within thirty (30) days of such notice.

9. TRADEMARKS. (a) The S&N Group Companies shall have the royalty-free right to use the trademarks of DonJoy, L.L.C. related to the Products solely in connection with the S&N Group Companies' distribution of the Products as contemplated hereby, subject to DonJoy, L.L.C.'s right to approve or disapprove of the S&N Group Companies' manner of usage of such trademarks. Except as provided herein, neither S&N nor any of the S&N Group Companies shall have any right to any mark, trade mark, name or symbol of DonJoy, L.L.C. or any translation thereof now or hereafter applied or used by either party in relation to any of the Products. DonJoy, L.L.C. shall be responsible, at DonJoy, L.L.C.'s expense, for the registration of any such marks or trademarks in the Territories. Except with respect to Repurchased Inventory not actually purchased by DonJoy, L.L.C., the S&N Group Companies will, on termination of this Agreement for a Territory, discontinue any use (and shall ship to DonJoy, L.L.C. or destroy any such material at DonJoy, L.L.C.'s option and expense) in that Territory of the DonJoy, L.L.C. trademarks on any signs, stationery, invoices, promotional materials or otherwise and thereafter will not use, either directly or indirectly, such trademarks or any other names, titles or expressions so nearly resembling the same as would be likely to lead to confusion or uncertainty, or to deceive the public.

(b) The S&N Group Companies shall not alter or add to any of the trademarks or trade names used by DonJoy, L.L.C. on the Products and shall at all times use such trademarks or trade names in the advertising and promotion of the Products; provided, however, that DonJoy, L.L.C. and the S&N Group Companies may agree that the Products shall be sold under other trademarks or trade names.

(c) Neither S&N nor any S&N Group Company shall have any right to use any DonJoy, L.L.C. trademark, including "DonJoy" or "ProCare", in connection with sales by any S&N Group Company of any similar products not sourced by DonJoy, L.L.C. as may be permitted by Section 7(a) hereof.

10. CONFIDENTIALITY. Except as set forth herein below, during the term hereof and for a period of five (5) years thereafter, DonJoy, L.L.C., on the one hand, and S&N and each of the S&N Group Companies, on the other hand, agree that they will maintain in confidence all Confidential Information of the other party, and will not disclose such Confidential Information to any third

party. As used herein, the term "Confidential Information" means technical, business, customer, marketing, financial, corporate or any other information of a party, or of its subsidiaries, affiliates or parent companies, which, whether or not pursuant to this Agreement, is disclosed orally or in writing or which another party obtains by any other means, excluding information which (i) is or becomes available to such party from a source other than such party, (ii) is or becomes available to the public other than as a result of disclosure by such party or its agents, or (iii) is required to be disclosed under applicable law or judicial process, but only to the extent it must be disclosed.

11. INDEMNIFICATION AND INSURANCE. (a) DonJoy, L.L.C. will indemnify and hold S&N and the S&N Group Companies and their respective officers, managers, equity holders and affiliates harmless from and against any liability, damage, claims, cost or expense (including reasonable attorney's fees) ("Losses") arising out of (i) any injury, death or property damage arising out of the negligence or willful misconduct of DonJoy, L.L.C. or its employees or agents (except to the extent that such injury, death or damage was caused by the negligent act or willful misconduct of S&N or the S&N Group Companies) in any action or proceeding brought by any third party respecting such claim, (ii) DonJoy, L.L.C.'s negligent act or omission, (iii) DonJoy, L.L.C.'s misstatements or false claims with respect to the Products, (iv) any product liability claims relating to the Products (other than those resulting from S&N's, any S&N Group Companies' or any third party's fault which do not give rise to an indemnifiable claim against DonJoy, L.L.C. by S&N under the Recapitalization Agreement); (v) any governmentally-required recall of Products (other than those resulting from S&N's, any S&N Group Companies' or a third party's fault which do not give rise to an indemnifiable claim against DonJoy, L.L.C. by S&N under the Recapitalization Agreement); (vi) DonJoy, L.L.C.'s failure to comply with DonJoy, L.L.C.'s obligations, covenants, and representations and warranties under this Agreement; and (vii) any claimed infringement of the rights of any third party arising from the S&N Group Company's use of the DonJoy, L.L.C. trademarks arising in connection with the distribution of Products pursuant hereto, or any claim of infringement by any third party of any patents or any

claimed violation of any other intellectual property right of any third party arising in connection with the distribution of Products pursuant hereto; provided, however, that in no event will S&N or any S&N Group Company have any right to claim indemnity under this Section 11 if the events, facts or circumstances claim giving rise to such claim constitute a breach of any of the obligations, covenants and representations and warranties of S&N contained in the Recapitalization Agreement, or otherwise give rise to an indemnifiable claim against S&N by DonJoy, L.L.C. thereunder. In order to ensure DonJoy, L.L.C.'s performance, DonJoy, L.L.C. shall obtain and maintain during the term of this Agreement at least Three Million Dollars ($3 million) of product liability and general public liability insurance with a deductible or self-insurance of no more than One Hundred Thousand Dollars ($100,000). DonJoy, L.L.C. shall name S&N and the S&N Group Companies as additional insured parties on such insurance and shall provide S&N with a certificate evidencing such coverage.

(b) S&N will indemnify and hold DonJoy, L.L.C. and DonJoy, L.L.C.'s officers, managers, equity holders and affiliates harmless from and against any and all Losses arising out of (i) any injury, death or property damage arising out of the negligence or willful misconduct of S&N or the S&N Group Companies or its employees or agents (except to the extent that such injury, death or damage was caused by the negligent act or willful misconduct of DonJoy, L.L.C.) in any action or proceeding brought by any third party respecting such claim; (ii) S&N's or the S&N Group Companies' negligent act or omission; (iii) S&N's or the S&N Group Companies' misstatements or false claims with respect to the Products; (iv) S&N's or the S&N Group Companies' misuse of the Product literature; or (v) S&N's or the S&N Group Companies' failure to comply with its obligations, covenants and representations and warranties hereunder.

(c) Indemnification Procedures

Each party shall be entitled to the indemnity described in paragraphs (a) and (b) of this Section provided the following conditions are met; the party obliged to provide indemnification is referred to as the "Indemnifying Party", and the party entitled to be indemnified is referred to as the "Indemnified Party";

(i) Promptly upon learning of any claim for which indemnification is sought from the Indemnifying Party, the Indemnified Party shall notify the Indemnifying Party of such claim and shall furnish to the Indemnifying Party all information known and available to the Indemnified Party related to such claim.

(ii) In the event of the commencement of litigation on the basis of such claim, the Indemnified Party shall tender the defense of

such litigation to the Indemnifying Party.

(iii) The Indemnified Party shall comply with any such reasonable instructions received from the Indemnifying Party relating to settlement of such claim (unless settlement of the claim would establish an adverse precedent for

other similar claims in the future), if any, to the extent that it lies within the power of the Indemnified Party to comply with any such instructions, excluding any instruction that requires the Indemnified Party to license or otherwise make available technology or other confidential information to a third party.

(iv) If the Indemnifying Party undertakes defense of such litigation, the Indemnifying Party shall be entitled to appoint its attorneys to defend the case in the name of the Indemnified Party, and the Indemnified Party shall cooperate fully with the Indemnifying Party and its chosen attorneys in the defense of such litigation. The Indemnified Party shall be free to appoint its own attorneys in the same litigation, at its sole expense, although all decisions with respect to the conduct or settlement of such litigation shall remain solely with the Indemnifying Party.

12. TRANSITION.

(a) Upon the termination of this Agreement with respect to a Territory, the parties hereto agree to take all actions reasonably necessary to effect the transition of the distribution arrangements for the Products contemplated herein among the parties hereto and the distribution arrangements entered into for the Products by the S&N Group Companies and third parties with respect to such Territory, including the transfer of customer lists and marketing materials relating principally to the customers of the Products in that Territory. The S&N Group Companies shall assist DonJoy, L.L.C. in transferring or applying for product registrations or certificates for products that relate principally to the Products in the terminated Territory. Transfers of product registrations or certificates for products in the terminated Territory shall be made solely at DonJoy, L.L.C.'s expense.

(b) Upon the termination of this Agreement with respect to each respective Territory or Territories, S&N or the appropriate S&N Group Company shall deliver Products (whether acquired prior to or during the term of this Agreement) ("Repurchased Inventory") to destinations specified by DonJoy, L.L.C. in writing and at DonJoy, L.L.C.'s cost. DonJoy, L.L.C. shall pay S&N or its designee in currency designated by S&N an amount equal to (i) the S&N Group Company book value of the Repurchased Inventory (i.e., the original transfer price paid by the S&N Group Company to purchase the Repurchased Inventory, plus duty and tax paid by the S&N Group Company and the S&N Group Company's original cost of shipping the Repurchased Inventory to the S&N Group Company, to the extent such cost was paid by the S&N Group Company with an appropriate deduction for unsaleable Repurchased Inventory) plus (ii) any sales tax, VAT, duty or fee incurred by the S&N Group Company related to the delivery of the Products to DonJoy, L.L.C. or such other destination specified by DonJoy, L.L.C., within sixty (60) days following receipt of S&N's or S&N Group Companies' invoice. In the event that DonJoy, L.L.C. designates another distributor to receive Repurchased Inventory pursuant hereto, DonJoy, L.L.C. may specify that such distributor shall pay all amounts to be paid to S&N or its designee pursuant to this Section 12(b); provided, however, that, DonJoy, L.L.C. shall remain primarily liable to S&N for all such amounts. In the event of a dispute concerning the price to be paid by DonJoy, L.L.C. or its disributor, as applicable, for the Repurchased Inventory or the condition of the

Repurchased Inventory then senior representatives of the parties shall meet and attempt to resolve the dispute in good faith. If the parties are unable to resolve the dispute within ten (10) business days then the S&N Group Companies shall have the right to sell or distribute the Products that are the subject of the dispute to third parties either within or outside the Territories following the termination of this Agreement with respect the relevant Territory. Upon the expiration of this Agreement with respect to all Territories, DonJoy, L.L.C. or its designated distributor shall purchase all remaining Repurchase Inventory from S&N in accordance with this Section.

13. INDEPENDENT CONTRACTORS. DonJoy, L.L.C., on the one hand, and S&N and each of the S&N Group Companies, on the other hand, shall each be treated for all purposes as an independent contractor and not as an agent or representative of the other party. Each party shall be responsible for complying with laws and regulations applicable to its business, for obtaining required licenses and permits, for the payment of applicable taxes, and for the conduct and compensation of its own employees.

14. NOTICES. All notices or other communications required or permitted hereunder shall be in writing and shall be deemed given or delivered when delivered personally or when sent by registered or certified mail or by private courier addressed as follows:

If to DonJoy, L.L.C., to:

DonJoy, L.L.C.
2985 Scott Street
Vista, California 92083-8339
Attention: President

If to S&N or any S&N Group Company, to:

Smith & Nephew, Inc.
1450 Brooks Road
Memphis, Tennessee 38116
Attention: General Counsel

or to such other address as such party may indicate by a notice delivered to the other party hereto.

15. SUCCESSORS AND ASSIGNS. The rights of DonJoy, L.L.C., on the one hand, and S&N and each of the S&N Group Companies, on the other hand, under this Agreement shall not be assignable without the written consent of DonJoy, L.L.C., in the case of assignment by S&N or any of the S&N Group Companies, and S&N, in the case of assignment by DonJoy, L.L.C.; provided, however, that DonJoy, L.L.C. may assign its rights and obligations under this Agreement to any affiliate or subsidiary (including DJ Orthopedics, LLC) without the prior written consent of S&N or any S&N Group Company; provided further, that neither party hereto shall be released from any of its

obligations hereunder by reason of any such assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and permitted assigns.

16. ENTIRE AGREEMENT; AMENDMENTS. This Agreement contains the entire understanding of the parties hereto with regard to the subject matter contained herein and supersedes all prior agreements, understandings or letters of intent between or among any of the parties hereto. Contrary provisions in any purchase order, invoice or other commercial documentation shall be of no force and effect. This Agreement shall not be amended, modified or supplemented except by a written instrument signed by an authorized representative of each of the parties hereto.

17. INTERPRETATION. Headings to sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

18. WAIVERS. Any term or provision of this Agreement may be waived, or the time for its performance may be extended, by the party or parties entitled to the benefit thereof. Any such waiver shall be validly and sufficiently authorized for the purposes of this Agreement if it is authorized in writing by S&N, in the case of any waiver by S&N or any of the S&N Group Companies, or by DonJoy, L.L.C., in the case of any waiver by DonJoy, L.L.C.. The failure of any party hereto to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of any party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

19. FORCE MAJEURE. The obligations and performance of a party hereto shall be excused if made impossible by strikes, riots, fire, inability to obtain or shortages of labor, materials, equipment or transportation, war, acts of God, natural disasters or other causes beyond the reasonable control of the party and acts in compliance with applicable law, regulation or order (whether valid or invalid) of any governmental body.

20. PARTIAL INVALIDITY. Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or unenforceability without invalidating the remainder of such invalid, illegal or unenforceable provision or provisions or any other provisions hereof, unless such a construction would be unreasonable.

21. EXECUTION IN COUNTERPARTS. This Agreement may be executed in

one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement, and shall become binding when one or more counterparts have been signed by each of the parties hereto and delivered to

each of DonJoy, L.L.C. and S&N. An executed copy hereof delivered by facsimile shall be deemed an original instrument.

22. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with laws of the State of Delaware (without regard to conflicts of laws principles thereof).

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed the day and year first above written.

DONJOY, L.L.C.
By: /s/ Leslie H. Cross

Name: Leslie H. Cross
Title: President and CEO

SMITH & NEPHEW, INC.

By: Clifford K. Lomax

Name: Clifford K. Lomax
Title: Treasurer

FOR EACH OF THE S&N GROUP COMPANIES LISTED BELOW:

By: Clifford K. Lomax

Name: Clifford K. Lomax
Title: Treasurer

S&N GROUP COMPANIES:

Smith & Nephew GMBH, Austria
Smith & Nephew GMBH, Germany
Smith & Nephew OY, Finland
Smith & Nephew Nederland BV, Holland
Smith & Nephew K.K., Japan
Smith & Nephew LDA., Portugal
Smith & Nephew (Belgium) S.A. - N.V. , Belgium
Smith & Nephew FZE, Dubai
Smith & Nephew Medical Limited, India
Smith & Nephew Limited, Korea
Smith & Nehpew (Malaysia) Ltd., Malaysia
Smith & Nephew (Overseas) Limited Philippine Branch
Smith & Nephew Inc., Puerto Rico
Smith & Nephew Limited, Thailand
Smith & Nephew AB, Sweden
Smith & Nephew Limited, Ireland
Smith & Nephew Laboratoires Fisch SA, France

Smith & Nephew AG, Switzerland
Smith & Nephew S.r.I., Italy
Smith & Nephew A/S, Norway
Smith & Nephew Iberica S.A., Spain
Smith & Nephew A/S, Denmark
Smith & Nephew Medical Limited, UK
Smith & Nephew Pty. Limited, Australia
Smith & Nephew Pte. Limited, Singapore
Smith & Nephew Limited, Hong Kong
Smith & Nephew SA de CV, Mexico
Smith & Nephew Inc., Canada
Smith & Nephew Limited, South Africa
Smith & Nephew Limited (New Zealand)

[Signature Page to Distribution Agreement]

SCHEDULE 1

S&N GROUP COMPANIES AND TERRITORIES

<TABLE>
<CAPTION>

A		B		C	
Company	Territory	Company	Territory	Company	Territory
<S>	<C>	<C>	<C>	<C>	<C>
Smith & Nephew GMBH, Germany	Germany and Eastern Europe	Smith & Nephew (Belgium) S.A.	Belgium	Smith & Nephew Pty. Limited	Australia
Smith & Nephew GMBH, Austria	Austria	Smith & Nephew FZE	Dubai	Smith & Nephew, Inc.	Canada
Smith & Nephew A/S	Denmark	Smith & Nephew Limited	Hong Kong		
Smith & Nephew OY	Finland	Smith & Nephew Medical Limited	India		
Smith & Nephew Laboratoires Fisch SA	France	Smith & Nephew Limited	Ireland		
		Smith & Nephew S.r.I.	Italy		
Smith & Nephew Nederland BV	Holland	Smith & Nephew Limited	Korea		
Smith & Nephew K.K.	Japan	Smith & Nephew Ltd.	Malaysia		
Smith & Nephew A/S	Norway	Smith & Nephew SA de CV	Mexico		
Smith & Nephew Limited	New Zealand	Smith & Nephew [ ]	Philippines		
Smith & Nephew LDA	Portugal	Smith & Nephew Inc.	Puerto Rico		
Smith & Nephew AB	Sweden	Smith & Nephew Pte.			

</TABLE>

<TABLE>

<S>	<C>	<C>	<C>
		Limited	Singapore
Smith & Nephew AG	Switzerland	Smith & Nephew Limited	South Africa
Smith & Nephew Limited	U.K.	Smith & Nephew Iberica S.A.	Spain
		Smith & Nephew (Far East)	Taiwan
		Smith & Nephew Limited	Thailand

</TABLE>

See Schedule 2 for a list of products.

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SCHEDULE 2

PRICING

SCHEDULE ATTACHED

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SCHEDULE 3

1999 PURCHASE LEVELS

EXHIBIT 10.6

CERF LABORATORIES AGREEMENT

This CERF Laboratories Agreement (this "Agreement") is made and entered into as of this 30th day of June, 1999, by and between Smith & Nephew Inc., a Delaware corporation (hereinafter "S&N"), and DonJoy, L.L.C., a Delaware limited liability company (hereinafter "DonJoy, L.L.C.").

WHEREAS, pursuant to the Recapitalization Agreement, dated as of April 29, 1999 (the "Recapitalization Agreement") by and among S&N, DonJoy, L.L.C. and Chase DJ Partners, LLC ("Investor"), DonJoy, L.L.C. is selling to Investor 645,500 Common Units of DonJoy, L.L.C. and DonJoy, L.L.C. is redeeming 2,000,000 Common Units from S&N, such that upon consummation of the transactions contemplated by the Recapitalization Agreement Investor will own approximately a ninety percent (90%) membership interest in DonJoy, L.L.C. (capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Recapitalization Agreement);

WHEREAS, it is a condition to S&N's obligations under the Recapitalization Agreement that S&N and DonJoy, L.L.C. enter into this Agreement; and

WHEREAS, in accordance with the Recapitalization Agreement, S&N desires for its employees, agents, representatives and invitees (collectively "Users") to use the Facilities (as defined below) and DonJoy, L.L.C. desires to make the Facilities available to S&N, all on the terms and conditions herein described.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, S&N and DonJoy, L.L.C. do hereby agree as follows:

In this Agreement,

I. USE OF THE FACILITIES

a) DonJoy, L.L.C. shall allow S&N and the Users to use the Clinical Education Research Facility (CERF) laboratory located at DonJoy, L.L.C.'s premises located on Scott Street, Vista, California, the equipment and supplies located therein and the services offered thereby (collectively the "Facilities") for the term of this Agreement on substantially the same terms as those upon which S&N and the Users currently use such Facilities S&N shall pay to DonJoy, L.L.C. on the first day of each calendar quarter a quarterly fee for the use of the Facilities, which such fee shall be calculated in the same manner as it was calculated prior to the date of this Agreement.

b) The parties hereto shall be treated for all purposes as independent contractors and not as an agent or representative of the other party and neither has any power, right or authority to bind the other party or to assume or to create any obligation or responsibility, express or implied, on behalf of the other party. Nothing stated in this Agreement shall be construed as constituting S&N and DonJoy, L.L.C. as partners or as

members of a joint venture, or as creating the relationship of employer and employee, master and servant, or principal and agent between them.

I. TERM AND TERMINATION

a) This Agreement shall commence on the date hereof and shall expire on June 30, 2001 unless renewed mutual agreement of the parties. S&N shall have the right to terminate this Agreement by providing DonJoy, L.L.C. with at least thirty (30) days prior written notice.

b) Either party may terminate this Agreement by written notice having immediate effect in the event that any of the following events occur: (1) a receiver is appointed over any of the assets of the other party and such receivership shall not have been vacated or stayed within thirty (30) days; (2) the other party is unable to pay its debts as they mature or ceases to pay its debts as they mature in the ordinary course of business or makes an assignment for the benefit of its creditors; (3) any voluntary proceedings are commenced by or for the other party under any bankruptcy, insolvency, or debtors' relief law; or for any proceedings commenced against the other party under any bankruptcy, insolvency or debtors' relief law and such proceeding is not vacated or set aside within thirty (30) days from the date of commencement thereof.; or (4) material default by the other party under its respective Ancillary Agreements.

c) Any material breach of any term of this Agreement shall entitle the other party to terminate this Agreement provided the non-breaching party first gives notice to the breaching party and permits the breaching party twenty (20) days to cure such breach, provided that in the event of delay of payment by S&N the cure period shall be five (5) days. The right to terminate shall be in addition to all other rights and remedies available at law or in equity.

3. INDEMNIFICATION

a) Indemnification by DonJoy, L.L.C.

DonJoy, L.L.C. agrees to defend, indemnify and hold harmless S&N and S&N's officers, managers, equity holders and Affiliates from and against any and all claims, actions, damages, losses, costs, liabilities and expenses (including without limitation reasonable attorneys' fees) (hereinafter "Losses") sustained or incurred by S&N as a consequence of (i) any injury, death or property damage arising out of the negligence or willful misconduct of DonJoy, L.L.C. or its

employees or agents (except to the extent that such injury, death or damage was caused by the negligent act or willful misconduct of S&N) in any action or proceeding brought by any third party respecting such claim, (ii) DonJoy, L.L.C.'s negligent act or omission, or (iii) DonJoy, L.L.C.'s failure to comply with its obligations hereunder.

b) Indemnification by S&N

S&N shall indemnify, defend and hold harmless DonJoy, L.L.C. and DonJoy, L.L.C.'s officers, directors, equity holders and Affiliates from and against any

Losses as a consequence of (i) any injury, death or property damage arising out of the negligence or willful misconduct of S&N or its employees or agents (except to the extent that such injury, death or damage was caused by the negligent act or willful misconduct of DonJoy, L.L.C.) in any action or proceeding brought by any third party respecting such claim, (ii) S&N's negligent act or omission, or (iii) S&N's failure to comply with its obligations hereunder.

c) Indemnification Procedures

Each party shall be entitled to the indemnity described in paragraphs (a) and (b) of this Section provided the following conditions are met; the party obliged to provide indemnification is referred to as the "Indemnifying Party", and the party entitled to be indemnified is referred to as the "Indemnified Party":

(i) Promptly upon learning of any claim for which indemnification is sought from the Indemnifying Party, the Indemnified Party shall notify the Indemnifying Party of such claim and shall furnish to the Indemnifying Party all information known and available to the Indemnified Party related to such claim.

(ii) In the event of the commencement of litigation on the basis of such claim, the Indemnified Party shall tender the defense of such litigation to the Indemnifying Party.

(iii) The Indemnified Party shall comply with any such reasonable instructions received from the Indemnifying Party relating to settlement of such claim (unless settlement of the claim would establish an adverse precedent for other similar claims in the future), if any, to the extent that it lies within the power of the Indemnified Party to comply with any such instructions, excluding any instruction that requires the Indemnified Party to license or otherwise make available technology or other confidential information to a third party.

(iv) If the Indemnifying Party undertakes defense of such litigation, the Indemnifying Party shall be entitled to appoint its attorneys to defend the case in the name of the Indemnified Party, and the Indemnified Party shall

cooperate fully with the Indemnifying Party and its chosen attorneys in the defense of such litigation. The Indemnified Party shall be free to appoint its own attorneys in the same litigation, at its sole expense, although all decisions with respect to the conduct or settlement of such litigation shall remain solely with the Indemnifying Party.

d) Insurance

Each party shall maintain at its own expense general public liability coverage of not less than Three Million Dollars ($3,000,000) per occurrence with respect to bodily injury and death and Three Million Dollars ($3,000,000) per occurrence with respect to property damage for each claim with a deductible of no more than Two Hundred Fifty Thousand Dollars ($250,000). Each party shall provide the other with a

certificate of insurance showing coverage and showing that the other has been named as an additional insured. Further, each party's insurer shall give the other party at least thirty (30) days prior written notice of any proposed cancellation or modification of the product liability insurance policy.

4. GOVERNMENTAL PERMITS AND COMPLIANCE WITH LAWS

a) The parties shall maintain all governmental permits required in order to perform their respective obligations under this Agreement. The parties shall comply with all laws, rules and regulations in all material respects; provided that DonJoy, L.L.C. shall have the sole responsibility for compliance with all laws, rules and regulations relating to the Facilities.

5. MISCELLANEOUS

a) This Agreement shall be amended or modified only by a written instrument executed by the duly authorized representatives of both parties.

b) The waiver by either party of a breach or default in any of the provisions of this Agreement by the other party shall not be construed as a waiver of any succeeding breach of the same or any other provision.

c) All notices under this Agreement shall be in writing and shall be sufficient if delivered in accordance with the requirements of the Recapitalization Agreement.

d) The construction, performance and enforcement of this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (other than conflicts of law provisions).

e) If any provision of this Agreement shall be held to be invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

f) Any controversy or claim arising out of or relating to this Agreement, or any breach thereof, including, without limitation, any claim that any of said Agreement, or any part thereof, is invalid, illegal or otherwise voidable or void, shall be submitted to arbitration in accordance with the Commercial Rules of the American Arbitration Association; provided, however, that this clause shall not be construed to limit or to preclude either party from bringing any action in any court of competent jurisdiction for injunctive or other provisional relief as necessary or appropriate. The arbitration shall be conducted in Chicago.

g) This Agreement contains the entire agreement between the parties with respect to the subject matter hereof. The parties represent that, in entering into this Agreement, they are not relying upon any previous representation, inducement or agreement of any kind.

h) In the event of arbitration and/or litigation over any controversy or claim arising out of or relating to this Agreement, or any breach thereof, the prevailing party shall be entitled to recover its reasonable attorneys fees and expenses in connection with such arbitration and/or litigation.

i) Neither party may assign this Agreement without the written consent of the other party, which consent shall not be unreasonably withheld; provided, however, that DonJoy, L.L.C. may assign its rights and obligations under this Agreement to any Affiliate or subsidiary (including DJ Orthopedics, LLC) without the prior written consent of S&N; provided further, that neither party hereto shall be released from any of its obligations hereunder by reason of any such assignment.

j) DonJoy, L.L.C. shall be not liable for its failure to perform its obligations under this Agreement due to events beyond its reasonable control including, but not limited to, strikes, riots, wars, fire, acts of God, inability to obtain or shortages of labor, materials, equipment or transportation and acts in compliance with applicable law, regulation, or order (whether valid or invalid) of any governmental body.

[Remainder of Page Intentionally Left Blank]

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

DonJoy, L.L.C. Smith & Nephew, Inc.,

By: /s/ Leslie H. Cross

Title: President and CEO

By: /s/ Clifford K. Lomax

Title: Treasurer

[Signature Page to CERF Laboratories Agreement]

EXHIBIT 10.7

SUBLEASE

This Sublease is made as of the 30th day of June, 1999, by and between SMITH & NEPHEW, INC., a Delaware corporation (the "Sublandlord") and DJ ORTHOPEDIC, LLC, a Delaware limited liability company (the "Subtenant").

RECITALS

A. Pursuant to a recapitalization agreement dated as of April 30, 1999 (the "Recapitalization Agreement") among DonJoy, L.L.C., Sublandlord and Chase DJ Partners, LLC ("Investor"), DonJoy L.L.C. is selling to Investor 657,000 Units of DonJoy, L.L.C. and DonJoy, L.L.C. is redeeming 2,000,000 Units from Sublandlord, such that upon consummation of the transactions contemplated by the Recapitalization Agreement, Investor will own approximately a ninety percent (90%) interest in DonJoy, L.L.C.;

B. Sublandlord is the tenant under that certain Lease Agreement dated as of June 9, 1997 as amended by First Amendment to Lease Agreement dated as of November 17, 1997 and as further amended by Second Amendment to Lease Agreement and Agreement Regarding Lease Terms dated as of February 21, 1998 (collectively the "Master Lease") as evidenced by a Memorandum of Lease recorded on April 8, 1998 as Doc. No. 1998-0198211 in the San Diego County Recorders Office with Stetman & Morris Properties, a California General Partnership (the "Landlord") (a copy of which Master Lease is attached hereto as Exhibit A and by this reference made a part hereof) concerning the real estate and the building and improvements located thereon and identified as Parcels H, I, and J of Parcel Map 16028 in the City of Vista, San Diego County California as more fully set forth therein (the "Premises").

C. It is a condition to Investor's obligations under the Recapitalization Agreement that Sublandlord and Subtenant enter into this Sublease and Subtenant desires to sublease from Sublandlord the Premises, and Sublandlord has agreed to sublease the Premises to Subtenant upon the terms, covenants and conditions herein set forth.

AGREEMENT

In consideration of the mutual covenants contained herein, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows.

1. SUBLEASE. Sublandlord hereby subleases and demises to Subtenant and Subtenant hereby hires and takes from Sublandlord the Premises.

2. TERM. The term of this Sublease shall commence on date on which the closing occurs pursuant to the Recapitalization Agreement (the "Effective Date") and shall end on February 19, 2008 unless sooner terminated as provided herein or in the Master Lease or unless the term is extended in accordance with the provisions of Section 7.2 of this Sublease.

3. RENT. Subtenant shall pay minimum monthly rent during the term of this Sublease in the same monthly amount required to be paid by Sublandlord as tenant under the

Master Lease including adjustments as required by Paragraph 4.2 of the Master Lease over the Beginning Index applicable to the Master Lease. Subtenant shall also be required to pay all taxes and other amounts which are the responsibility of Sublandlord as lessee under Paragraph 4.4 or other provisions of the Master Lease. In the event that the term of this Sublease shall begin or end on a date which is not the first day of a month, minimum monthly rent in the initial amount of $66,924.00 together with taxes and other amounts payable by Sublandlord to Landlord under the Master Lease shall be prorated as of such date in accordance with the provisions of the Recapitalization Agreement.

4. DEFINITIONS. All terms not otherwise defined herein shall have the meaning provided in the Master Lease.

5. MASTER LEASE. As applied to this Sublease, the words "Landlord" and "Tenant" as used in the Master Lease shall be deemed to refer to Sublandlord and Subtenant, respectively. Subtenant and this Sublease shall be subject in all respects to the terms of, and the rights of the Landlord under, the Master Lease. Except as otherwise expressly provided in Paragraph 6 or Paragraph 7 hereof, the covenants, agreements, terms, provisions and conditions of the Master Lease insofar as they relate to the Premises and insofar as they are not inconsistent with the terms of this Sublease are made a part of and incorporated into this Sublease as if recited herein in full, and the rights of the Landlord and the rights and obligations of Tenant under the Master Lease shall be deemed the rights of Sublandlord and rights and obligations of Subtenant, respectively, hereunder and shall be binding upon and inure to the benefit of Sublandlord and Subtenant, respectively. As between the parties hereto only, in the event of a conflict between the terms of the Master Lease and the terms of this Sublease, the terms of this Sublease shall control. Subtenant covenants and warrants that it fully understands and agrees to be subject to and bound by all of the covenants, agreements, terms, provisions and conditions of the Master Lease applicable to Tenant, except as modified herein.

6. LANDLORD'S PERFORMANCE UNDER MASTER LEASE.

6.1 Subtenant recognizes that Sublandlord is not in a position to render any of the services or to perform any of the obligations required of

Sublandlord by the terms of this Sublease. Therefore, notwithstanding anything to the contrary contained in this Sublease, Subtenant agrees that performance by Sublandlord of its obligations hereunder are conditional upon due performance by the Landlord of its corresponding obligations under the Master Lease and Sublandlord shall not be liable to Subtenant for any default of the Landlord under the Master Lease. Subtenant shall not have any claim against Sublandlord by reason of the Landlord's failure or refusal to comply with any of the provisions of the Master Lease unless such failure or refusal is a result of Sublandlord's act or failure to act. In each instance where action by Landlord under the Master Lease is necessary to the realization of a right of Subtenant under the Sublease, it is agreed that Sublandlord shall have no liability for a failure to timely give a notice or respond to a request if: (i) Subtenant has not given sufficient notice to permit Sublandlord to take action or give notice under the Master Lease regardless of the notice period contained in the Sublease, or (ii) notwithstanding timely notice or action by Sublandlord, Landlord fails or refuses to timely act or respond, unless such failure is excused because of a default by Sublandlord as tenant under the Master Lease, or (iii) Subtenant is in default beyond all applicable notice and cure periods under this Sublease. This Sublease shall remain in full force and effect notwithstanding the

Landlord's failure or refusal to comply with any provisions of the Master Lease and Subtenant shall pay the minimum monthly rent and additional rent and all other charges provided for herein without any abatement, deduction or set off whatsoever (except as otherwise provided in Paragraph 6.2 as modified by Section 7.5) unless and until the Master Lease is terminated without liability to Sublandlord. Furthermore, Subtenant and Sublandlord further covenant not to take any action or do or perform any act or fail to perform any act which would result in the failure or breach of any of the covenants, agreements, terms, provisions or conditions of the Master Lease on the part of the Tenant thereunder.

6.2 Whenever the consent of Landlord shall be required by, or Landlord shall fail to perform its obligations under, the Master Lease, Sublandlord agrees to use commercially reasonable efforts to obtain, at Subtenant's sole cost and expense, such consent and/or performance on behalf of Subtenant. To the extent permitted by (or not precluded under) the Master Lease, Subtenant shall have the right, in its own name, to request performance of obligations required of the Landlord and to conduct such proceedings as may be required to obtain performance of such obligations, including, without limitation, the commencement of one or more actions against the Landlord. In addition, Subtenant shall have the right to make its own arrangements with Landlord to receive any additional services which Landlord is obligated to provide upon request of Landlord under the terms of the Master Lease; provided, however, if Landlord refuses to deal directly with Subtenant pursuant to its

rights under the Lease, Subtenant shall have the right to request that Sublandlord make such arrangements with Landlord on Subtenant's behalf; provided, further, however, that Sublandlord shall not be required to incur any expense in connection with the foregoing. As between Sublandlord and Subtenant, Subtenant shall have the sole obligation to pay for such additional services

6.3 Sublandlord represents and warrants to Subtenant that the Master Lease is in full force and effect, as of the date hereof all obligations of both Landlord and Sublandlord thereunder have been satisfied and Sublandlord has neither given nor received a notice of default pursuant to the Master Lease.

6.4 Sublandlord covenants as follows: (i) not to voluntarily terminate the Master Lease (except upon a basis which in Subtenant's reasonable judgment would preserve for Subtenant the right to continue occupancy upon all of the terms and conditions hereof), (ii) not to modify the Master Lease without Subtenant's prior written consent, which consent shall not be unreasonably withheld so long as any proposed modification will not adversely affect Subtenant's rights hereunder, and (iii) at Subtenant's sole cost and expense to take all actions reasonably necessary to preserve the Master Lease.

7. ADDITIONAL VARIATIONS FROM MASTER LEASE. The following covenants, agreements, terms, provisions and conditions of the Master Lease are hereby modified or not incorporated herein:

7.1 The provisions designated Paragraphs 2.1 through 2.13 of the Master Lease are inapplicable to the Sublease insofar as the improvements have been completed without a rental adjustment or reimbursement obligation and are hereby deemed satisfactory by Subtenant.

7.2 Notwithstanding anything to the contrary set forth in Paragraph 3.1 of the Master Lease, the term of this Sublease shall be as set forth in Section 2 above. The options to renew contained in Paragraph 3.2 of the Master Lease may only be exercised upon 120 days prior written notice from Subtenant and it shall be a condition of such exercise that Subtenant not be in default under the terms and provisions of this Sublease beyond all applicable notice and cure periods.

7.3 Any notice which may or shall be given by either party hereunder shall be either delivered personally, sent by overnight private courier service, sent by certified mail, return receipt requested, or sent by fax with a copy sent by first class U.S. mail, addressed to the party for whom it is intended at the Premises (if to the Subtenant) with a copy to DJ Orthopedics , LLC, c/o Chase Capital Partners, 380 Madison Avenue, New York, NY 10017, Attn: Damion Wicker, M.D., Joans Steinman and John Daileader; or (if to the Sublandlord) to Smith & Nephew, Inc., 1450 Brooks Road, Memphis, TN 38116,

Attn.. General Counsel, (Fax) 901 396-7824 with a copy to Smith & Nephew, Inc., 1450 Brooks Road, Memphis, TN 38116, Attn Chief Financial Officer, (Fax) 901 399-6151 or to such other address as may have been designated in a notice given in accordance with the provisions of this Section 7.3.

7.4 All amounts payable by Subtenant hereunder or pursuant to the Master Lease shall be payable directly to Landlord, provided: (i) Landlord agrees to accept such payments directly from Subtenant, and (ii) Subtenant timely makes all required payments under the Sublease and hereby indemnifies Sublandlord from all loss, cost, expense and liability by reason of Subtenant's failure to timely make such payment. If Subtenant fails to timely make such payments and such failure occurs more than twice in any twelve (12) month period, then Subtenant shall thereafter upon written notice from Sublandlord make all payments required under this Sublease to Sublandlord and Sublandlord shall immediately remit all such payments to Landlord. Sublandlord shall indemnify Subtenant from all loss, cost, expense and liability by reason of Sublandlord's failure to timely remit to Landlord the funds timely received from Subtenant.

7.5 The provisions of the following Paragraphs of the Master Lease shall not apply to this Sublease or shall apply only to the extent indicated: Paragraph 2.1 is modified to refer to the term of this Sublease as set forth in Section 2 hereof, Paragraph 4.1 is modified to provide that the current minimum monthly rent is $66,924.00 (which Sublandlord represents in the minimum monthly rent currently payable by Sublandlord under the Master Lease) rather than the $60,489.00 amount specified in the Second Amendment to the Master Lease; Paragraph 5.2.c to the extent it grants Subtenant the right to terminate the Sublease; Paragraph 6.2 is modified to condition the right of Subtenant to withhold sums from future rents upon: (i) the ability of Sublandlord to withhold such sums under the Master Lease and (ii) Subtenant hereby indemnifying Sublandlord from all loss, cost, expense and liability to Landlord as a result of such withholding; Paragraph 6.4 is hereby modified to provide that any assignment of warranties by Sublandlord to Subtenant is conditioned upon Subtenant hereby indemnifying Sublandlord from all loss, cost, expense and liability as a result of such assignment or any action taken with respect to such warranties; Paragraph 7.1 is hereby amended to extend each of the time periods for giving notice by ten (10) days and to reduce the thirty (30) day restoration period to twenty (20) days; Paragraph 7.2 and Paragraph 11.4.b.(3) are hereby modified to increase the 2 day period to

7 days; Paragraph 10.1 and Paragraph 10.2 are hereby modified to provided that all references to Landlord shall be deemed to refer to both Landlord and Sublandlord; Paragraph 10.6.b is hereby modified to provide that the policies shall name both Landlord and Sublandlord; Paragraph 11.2.b is hereby modified to reduce the fifteen (15) day period for notice by Subtenant to seven (7) days and

to increase the period for response by Sublandlord from fifteen (15) to twenty (20); Paragraph 11.3.c is hereby modified to provide that Sublandlord shall have no obligation to contribute its funds to restoration and any provision of the Sublease to the contrary notwithstanding, Sublandlord's duty shall be exclusively to make available funds, if any, which it receives from Landlord for such purposes; Paragraph 11.6 is hereby modified to provide that this Sublease shall terminate if Landlord exercises its right to terminate under Paragraph 11.6 of the Master Lease and to reduce the period for notice of termination by the Subtenant to fifty (50) days; Paragraph 12.4.a is hereby modified to reduce the thirty (30) day references to twenty (20) days and to reduce the ninety (90) day reference to eighty (80) days; Paragraph 12.5.a is modified to change the thirty (30) day reference to forty (40) days; Paragraph 13.1 is hereby modified to require consent of both Landlord and Sublandlord; Paragraph 13.2 is hereby deleted; Paragraph 13.3 is hereby modified to require Subtenant to pay the attorney's fees of both Landlord and Sublandlord; Paragraph 14.1.a is hereby modified to reduce the five (5) day notice to three (3) days and to reduce the thirty (30) day notice period to twenty-five (25) days and Paragraph 14.1.c is deleted in its entirety; Paragraph 14.5.a is hereby modified to increase the period to forty-five (45) days to allow Sublandlord adequate time to put Landlord on notice; Article 15 including Paragraphs 15.1 through 15.8 are hereby deleted in their entirety; The indemnities contained in Article 16 shall protect both Landlord and Sublandlord, and Sublandlord shall have no obligation to pay or reimburse Subtenant for any environmental investigation or remediation of contamination; Paragraph 16.5 is modified to reduce the response period for Subtenant to five (5) days; Article 18 is hereby modified to provide that the references to Landlord shall also be deemed to refer to Sublandlord; Paragraph 19.1 is hereby modified to provide that the Sublease shall be and remain subject and subordinate to the terms of the Master Lease; Paragraph 19.2 is hereby modified to provide that Subtenant shall respond in five (5) days rather than ten (10) days and that Sublandlord shall respond in fifteen (15) days rather than ten (10) days; Paragraph 19.3 is hereby modified to provide that it shall refer only to the interest of Sublandlord in its leasehold estate in the Premises and it shall have no liability to Subtenant for damages as a result of a breach by Landlord of its obligations under Paragraph 19.3 of the Master Lease except to the extent it shall receive compensation or damages from Landlord as a result of such breach (nor shall Sublandlord have any obligation to pursue any claims or remedies against Landlord for a breach of Paragraph 19.3 except that Sublandlord shall cooperate with Subtenant in pursuing such claims for Subtenant's benefit and at the sole cost and expense of Subtenant); Paragraph 25.1. is hereby modified to reduce the ten (10) day notice requirement and period to five (5) days; Article 26 is hereby modified to require that the Subtenant must notify Sublandlord of its election to exercise the option and deposit with Sublandlord the full purchase price in cash, all within seventy-five (75) days so that Sublandlord will have no liability or risk in connection with the exercise of the option under the Master Lease; and Article 27 is hereby modified to provide that it may only be exercised to the extent that Sublandlord is able to timely exercise the expansion option under the Master Lease and Subtenant shall indemnify and hold harmless Sublandlord from all loss, cost, expense and liability to Landlord as a result of the exercise of the expansion option under the Master Lease.

7.6 Sublandlord shall deliver the Premises to Subtenant in its current "as is" condition, ordinary wear and tear and loss by fire or other casualty excepted.

8. INDEMNITY. Subtenant hereby agrees to indemnify and hold Sublandlord harmless from and against any and all claims, losses and damages, including, without limitation, reasonable attorneys' fees and disbursements, which may at any time be asserted against Sublandlord by (a) the Landlord for failure of Subtenant to perform any of the covenants, agreements, terms, provisions or conditions contained in the Master Lease which by reason of the provisions of this Sublease Subtenant is obligated to perform, or (b) any person by reason of Subtenant's use and/or occupancy of the Premises, except to the extent any of the foregoing is caused by the gross negligence or willful misconduct of Sublandlord. The provisions of this Section 8 shall survive the expiration or earlier termination of the Master Lease and/or this Sublease.

9. CANCELLATION OF MASTER LEASE. In the event of the cancellation or termination of the Master Lease for any reason whatsoever or of the involuntary surrender of the Master Lease by operation of law prior to the expiration date of this Sublease, Subtenant agrees to make full and complete attornment to the Landlord under the Master Lease for the balance of the term of this Sublease and upon the then executory terms hereof at the option of the Landlord at any time during Subtenant's occupancy of the Premises, which attornment shall be evidenced by an agreement in form and substance reasonably satisfactory to the Landlord. Subtenant agrees to execute and deliver such an agreement at any time within ten (10) business days after request of the Landlord, and Subtenant waives the provisions of any law now or hereafter in effect which may give Subtenant any right of election to terminate this Sublease or to surrender possession of the Premises in the event any proceeding is brought by the Landlord under the Master Lease to terminate the Master Lease so long as Subtenant is not named in said action and so long as Landlord agrees to recognize Subtenant.

10. BROKERS. Each party hereto represents and warrants to the other that such party did not deal with any broker or finder in connection with the consummation of this Sublease and each party agrees to indemnify, hold and save the other party harmless from and against any and all claims for brokerage commissions or finder's fees arising out of the indemnifying party's acts in connection with this Sublease. The provisions of this Section 10 shall survive the expiration or earlier termination of this Sublease.

11. ASSIGNMENT, SUBLETTING, AND SUBLEASEHOLD MORTGAGES. Subject further to all of the rights of the Landlord under the Master Lease and the restrictions contained in the Master Lease, Subtenant shall not be entitled to

assign this Sublease or to sublet all or any portion of the Premises without the prior written consent of Sublandlord, which consent shall not be unreasonably withheld. Provided any required consent is obtained from Landlord in writing under the Master Lease and Subtenant is not released from its obligations hereunder, Sublandlord agrees not to withhold its consent to any assignment or sub-sublease to a party owned or controlled by Subtenant or under common ownership or control with Subtenant or which acquires all or substantially all of the business of Subtenant.

11.1 Subject to any required written consent of Landlord under the Master Lease, Subtenant may, from time to time, mortgage or otherwise encumber its interest in this Sublease

(hereinafter a "Subleasehold Mortgage"), including but not limited to Subtenant's interest in any improvements, fixtures and personal property located on the Premises (the "Subleasehold Estate"), and, in connection therewith, assign the rents, issues and profits from the Subleasehold Estate. Notwithstanding any other provisions of this Sublease, any transfer of the Subleasehold Estate pursuant to, or in lieu of, foreclosure of a Subleasehold Mortgage shall be permitted without Sublandlord's consent (any such transfer being hereinafter referred to as a "foreclosure"). Any person who becomes the holder of the Subleasehold Estate pursuant to the foreclosure of a Subleasehold Mortgage shall have no personal liability, direct or indirect, to Sublandlord for payment of any rents or other charges (except if such person elects to timely cure prior defaults to preserve this Sublease or except as provided in clause (i) of Section 11.5 below) or for satisfaction of any other claims based on events occurring prior to the date of such party's acquisition of the Subleasehold Estate, nor for conditions existing prior to the date of such party's accession to title, and any such person may thereafter assign this Sublease without Sublandlord's consent and shall be released from any and all obligations under this Sublease which arise after, or relate to any period following, the effective date of such assignment.

11.2. If Subtenant shall grant a Subleasehold Mortgage and shall provide Sublandlord with notice thereof specifying the name and address of the Subleasehold Mortgagee, then Sublandlord, upon giving Subtenant a notice of (i) default, (ii) termination or proposed termination, (iii) a matter on which Sublandlord may claim or base a default, (iv) consent to an assignment or subletting or (v) any other matter which could materially and adversely affect the rights or obligations of Sublandlord or Subtenant, shall at the same time also give such notice to the Subleasehold Mortgagee in the manner provided in this Sublease. In the case of a default notice, such notice shall set forth with particularity all the claimed defaults. Notices delivered under this Sublease shall not be deemed effective unless and until such notice has been given to said Subleasehold Mortgagee.

11.3. Each Subleasehold Mortgagee shall have a right, but not any obligation, to perform any term, covenant, condition or agreement of this Sublease and to remedy any default by Subtenant thereunder within the time limits set forth in this Sublease, and Sublandlord shall accept such performance.

11.4. Notwithstanding anything contained in this Sublease to the contrary, if a default shall occur which would otherwise entitle Sublandlord to terminate this Sublease, Sublandlord shall have no right to terminate this Sublease in the absence of a termination of the Master Lease unless, following the expiration of the period of time given Subtenant to cure such default, Sublandlord shall give each Subleasehold Mortgagee written notice of Sublandlord's intent to terminate this Sublease at least thirty (30) days in advance of the proposed effective date of such termination. The Subleasehold Mortgagee, in addition to its right as described above to cure defaults by the Subtenant, shall have a right, in the absence of a termination of the Master Lease as a result of such default, to postpone the date on which this Sublease would terminate as a result of the Subtenant's default(s) in accordance with said notice by (a) giving Sublandlord written notice within such 30 day period of the Subleasehold Mortgagee's election to postpone the date on which this Sublease would terminate, and (b) proceeding with due diligence (i) to cure all defaults, if any, then existing which may be cured by the payment of a sum of money, (ii) to initiate and pursue steps to acquire the Subleasehold Estate by foreclosure of its Subleasehold Mortgage or otherwise, and (iii) after obtaining possession of the Premises, to cure

any other then existing default(s) of Subtenant susceptible of being cured by the Subleasehold Mortgagee. In the case of any default(s) not reasonably susceptible of being cured by the Subleasehold Mortgagee, Sublandlord's right to terminate this Sublease on account thereof, in the absence of a termination of the Master Lease as a result of such default, shall be deemed to be waived so long as all other defaults are cured by the Subleasehold Mortgagee as provided above.

11.5. If this Sublease shall be terminated for any reason whatsoever while the Subleasehold Mortgage remains in effect, then in the absence of a termination of the Master Lease, Sublandlord hereby grants the Subleasehold Mortgagee or its designee the right, exercisable by notice given to Sublandlord not later than thirty (30) days after receipt by Subleasehold Mortgagee of notice of such termination from Sublandlord, to obtain a new sublease of the Premises from the date of termination for the remaining term of this Sublease upon the same terms and conditions of this Sublease (as modified hereby) including the rent and options to renew and purchase, but excluding any provisions which have been performed or are no longer applicable, provided, that

Subleasehold Mortgagee (i) cures all monetary defaults under this Sublease at the time such new sublease is entered into and (ii) cures or agrees in such new sublease to cure all non-monetary defaults which are not personal to Subtenant, those which are personal to Subtenant (such as the bankruptcy or insolvency of Subtenant), being waived. The new sublease shall (a) as to the Sublandlord have the same priority as this Sublease and (b) provide that the subtenant under such new sublease shall be liable to perform the obligations imposed on the Subtenant under the new sublease only during the time period that such party is the Subtenant of the Subleasehold Estate.

11.6. Sublandlord will not accept any surrender, agree to the cancellation or failure to renew, or enter into any modification, of this Sublease without the prior written consent thereto of each Subleasehold Mortgagee of which Sublandlord has been given notice by the Subtenant. Without limiting the generality of the foregoing, in the absence of a termination of the Master Lease, no termination under Section 365(h) of the United States Bankruptcy Code, as amended, shall be effective against any Subleasehold Mortgagee without the prior written consent of such Subleasehold Mortgagee. No material amendment or modification of this Sublease shall be effective as to the Subleasehold Mortgage without the written consent of such Subleasehold Mortgagee.

11.7. If Subtenant is entitled to exercise but does not for any reason exercise at least thirty (30) days prior to the expiration of the time permitted in this Sublease for the exercise of any right or option to purchase the Premises or to extend or to renew this Sublease for any extension or renewal term provided in this Sublease, any Subleasehold Mortgagee shall have the right, for a period of thirty (30) days prior to the expiration of the time for exercising such a right or option, to elect, by notice given in the manner specified in this Sublease for the exercise of such right or option, to exercise such right or option upon the same terms and conditions and with the same effect as though such right or option had been validly exercised by Subtenant, provided such exercise shall only be effective to the extent it is timely made under the Master Lease

11.8. In the case of any default under any Subleasehold Mortgage, the Subleasehold Mortgagee shall be entitled at its expense to have a receiver appointed, irrespective of whether such Subleasehold Mortgagee accelerates the maturity of all indebtedness secured by its Subleasehold Mortgage, and to enter or have its receiver enter and take possession of the Premises, and manage and operate the same in accordance with the terms of this Sublease.

11.9. Sublandlord hereby waives any landlord's lien, all rights of levy or distraint, security interest or any other right or interest that Sublandlord may now or hereafter have, whether by statute, agreement or by

common law, in any portion of the Subleasehold Estate or Subtenant's inventory, equipment and other personal property now or at any time hereafter located on the Premises, but excluding fixtures and equipment customarily used for operation of the building or building systems (collectively the "Personal Property"). Subject to the rights of Landlord under the Master Lease and the Estoppel and Consent of Landlord, the Personal Property may be installed in or located on the Premises and is not and shall not be deemed to be a fixture or part of the underlying real estate but shall at all times be considered personal property unless permanently affixed and customarily used for operation of the building or building systems. Sublandlord agrees that Subleasehold Mortgagee or its representatives may enter upon the Premises at any time during the term of this Sublease to inspect, remove or repossess the Personal Property or otherwise exercise its remedies with respect thereto.

11.10. Each party hereto shall, at any time and from time to time, as requested by this Subleasehold Mortgagee, upon not less than ten (10) days' prior notice, execute and deliver a statement certifying that this Sublease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), certifying the dates to which the rent has been paid, and stating whether or not, to the best knowledge of the signer, the other party is in default in the performance of any of its obligations under this Sublease, and, if so, specifying each such default of which the signer may have knowledge, it being intended that any such statement may be relied upon by others with whom the requesting party may be dealing.

12. SEVERABILITY. If any term or provision of this Sublease or the application thereof to any person or circumstances shall, to any extent, be invalid and unenforceable, the remainder of this Sublease or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term or provision of this Sublease shall be valid and be enforced to the fullest extent permitted by law.

13. ENTIRE AGREEMENT; WAIVER. This Sublease contains the entire agreement between the parties hereto with respect to the use and occupancy of the Premises and shall be binding upon and inure to the benefit of their respective heirs, representatives, successors and permitted assigns. Any agreement hereinafter made shall be ineffective to change, modify,

waive, release, discharge, terminate or effect an abandonment hereof, in whole or in part, unless such agreement is in writing and signed by the parties hereto.

14. CAPTIONS. Captions to the Sections in this Sublease are included

for convenience only and are not intended and shall not be deemed to modify or explain any of the terms of this Sublease.

15. FURTHER ASSURANCES. The parties hereto agree that each of them, upon the request of the other party, shall execute and deliver, in recordable form if necessary, such further documents, instruments or agreements and shall take such further action that may be necessary or appropriate to effectuate the purposes of this Sublease.

16. GOVERNING LAW. This Sublease shall be governed by and in all respects construed in accordance with the internal laws of the State of California.

17. CONSENT OF LANDLORD. To the extent required by the Master Lease, the validity of this Sublease shall be subject to the Landlord's prior written consent hereto pursuant to the terms of the Master Lease. The parties shall cooperate to obtain such consent upon mutually acceptable terms.

18. SUBLANDLORD ALTERATIONS. Sublandlord shall not make any alterations or improvements to the Premises, except Sublandlord may at its election make such alterations or improvements to the Premises as may be required by law or the Master Lease.

19. SUBLANDLORD TRANSFERS. Sublandlord shall not assign, mortgage or otherwise encumber the Lease or any interest therein unless the transferee shall agree to recognize this Sublease and the rights of Subtenant hereunder.

20. SUBTENANT'S CANCELLATION RIGHT. In the event that Landlord agrees to enter into a direct lease with Subtenant for the Premises and to terminate the Master Lease without cost or liability to Sublandlord as Tenant, Subtenant shall have the right to cancel this Sublease upon five (5) days' written notice to Sublandlord. In the event that Subtenant so notifies Sublandlord, the Sublease shall be deemed terminated effective upon the termination of the Master Lease without cost or liability to Sublandlord. Subtenant and Sublandlord shall execute such documents as may be reasonably necessary to evidence the termination.

21. RECORDING. Subject to any required consent of Landlord under the Master Lease, Subtenant shall have the right to record a memorandum of this Sublease in the public records and Sublandlord agrees to execute and deliver to Subtenant such memorandum within fifteen (15) days after Subtenant's request therefor.

22. RECAPITALIZATION AGREEMENT. The agreements contained herein shall be without prejudice to any of the rights, benefits and indemnities in favor of Subtenant or Sublandlord under the Recapitalization Agreement between Sublandlord and Subtenant or its affiliates.

IN WITNESS WHEREOF, the parties hereto have caused this Sublease to be executed as of the day and year first above written.

"SUBLANDLORD":

SMITH & NEPHEW, INC., a Delaware corporation

By: /s/ Clifford K. Lomax

Its: Treasurer

By: /s/ James A. Ralston

Its: Sr. Vice President

"SUBTENANT":

DJ ORTHOPEDIC, LLC, a Delaware limited liability company

By: /s/ Cyril Talbot III

Its: V.P., CFO and Secretary

By: /s/ Leslie H. Cross

Its: President and CEO

13

EXHIBIT A

THE MASTER LEASE

14

SUBLEASE

This Sublease is made as of the 30th day of June, 1999, by and between SMITH & NEPHEW, INC., a Delaware corporation (the "Sublandlord") and DJ ORTHOPEDIC, LLC, a Delaware limited liability company (the "Subtenant").

RECITALS

A. Pursuant to a recapitalization agreement dated as of April 30, 1999 (the "Recapitalization Agreement") among DonJoy, L.L.C., Sublandlord and Chase DJ Partners, LLC ("Investor"), DonJoy L.L.C. is selling to Investor 657,000 Units of DonJoy, L.L.C. and DonJoy, L.L.C. is redeeming 2,000,000 Units from Sublandlord, such that upon consummation of the transactions contemplated by the Recapitalization Agreement, Investor will own approximately a ninety percent (90%) interest in DonJoy, L.L.C.;

B. Sublandlord as successor by merger to Smith & Nephew DonJoy, Inc., the assignee of Professional Care Products, Incorporated is the tenant under that certain Amended and Restated Lease Agreement, dated as of September 21, 1995, as amended by Amendment #1 to Amended and Restated Lease Agreement dated as of June 9, 1997 (collectively the "Master Lease") as evidenced by a Memorandum of Lease recorded on October 6 1995 as Doc. No. 1995-0451246 in the San Diego County Recorders Office with Stetman & Morris Properties, a California general partnership (the "Landlord") (a copy of which Master Lease is attached hereto as Exhibit A and by this reference made a part hereof) concerning the real estate and the building and improvements located thereon and identifies as Parcels A, B, C, D, & E of Parcel Map 16,028 in the City of Vista, San Diego County California as more fully set forth therein (the "Premises").

C. It is a condition to Investor's obligations under the Recapitalization Agreement that Sublandlord and Subtenant enter into this Sublease and Subtenant desires to sublease from Sublandlord the Premises, and Sublandlord has agreed to sublease the Premises to Subtenant upon the terms, covenants and conditions herein set forth.

AGREEMENT

In consideration of the mutual covenants contained herein, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows.

1. SUBLEASE. Sublandlord hereby subleases and demises to Subtenant and Subtenant hereby hires and takes from Sublandlord the Premises.

2. TERM. The term of this Sublease shall commence on the date on which the closing occurs pursuant to the Recapitalization Agreement (the "Effective Date") and shall end on February 19, 2008 unless sooner terminated as provided herein or in the Master Lease or unless the term is extended in accordance with the provisions of Section 7.2 of this Sublease.

3. RENT. Subtenant shall pay minimum monthly rent during the term of this Sublease in the same monthly amount required to be paid by Sublandlord as tenant under the Master Lease including adjustments as required by Paragraph 4.2 of the Master Lease over the Beginning Index applicable to the Master Lease. Subtenant shall also be required to pay all taxes and other amounts which are the responsibility of Sublandlord as lessee under Paragraph 4.5 or other provisions of the Master Lease. In the event that the term of this Sublease shall begin or end on a date which is not the first day of a month, minimum monthly rent in the initial amount of $78,770.00 together with taxes and other amounts payable by Sublandlord to Landlord under the Master Lease shall be prorated as of such date in accordance with the provisions of the Recapitalization Agreement.

4. DEFINITIONS. All terms not otherwise defined herein shall have the meaning provided in the Master Lease.

5. MASTER LEASE. As applied to this Sublease, the words "Landlord" and "Tenant" as used in the Master Lease shall be deemed to refer to Sublandlord and Subtenant, respectively. Subtenant and this Sublease shall be subject in all respects to the terms of, and the rights of the Landlord under, the Master Lease. Except as otherwise expressly provided in Paragraph 6 or Paragraph 7 hereof, the covenants, agreements, terms, provisions and conditions of the Master Lease insofar as they relate to the Premises and insofar as they are not inconsistent with the terms of this Sublease are made a part of and incorporated

into this Sublease as if recited herein in full, and the rights of the Landlord and the rights and obligations of Tenant under the Master Lease shall be deemed the rights of Sublandlord and rights and obligations of Subtenant, respectively, hereunder and shall be binding upon and inure to the benefit of Sublandlord and Subtenant, respectively. As between the parties hereto only, in the event of a conflict between the terms of the Master Lease and the terms of this Sublease, the terms of this Sublease shall control. Subtenant covenants and warrants that it fully understands and agrees to be subject to and bound by all of the covenants, agreements, terms, provisions and conditions of the Master Lease applicable to Tenant, except as modified herein.

6. LANDLORD'S PERFORMANCE UNDER MASTER LEASE.

6.1 Subtenant recognizes that Sublandlord is not in a position to render any of the services or to perform any of the obligations required of Sublandlord by the terms of this Sublease. Therefore, notwithstanding anything to the contrary contained in this Sublease, Subtenant agrees that performance by Sublandlord of its obligations hereunder are conditional upon due performance by the Landlord of its corresponding obligations under the Master Lease and Sublandlord shall not be liable to Subtenant for any default of the Landlord under the Master Lease. Subtenant shall not have any claim against Sublandlord by reason of the Landlord's failure or refusal to comply with any of the provisions of the Master Lease unless such failure or refusal is a result of Sublandlord's act or failure to act. In each instance where action by Landlord under the Master Lease is necessary to the realization of a right of Subtenant under the Sublease, it is agreed that Sublandlord shall have no liability for a failure to timely give a notice or respond to a request if: (i) Subtenant has not given sufficient notice to permit Sublandlord to take action or give notice under the Master Lease regardless of the notice period contained in the Sublease, or (ii) notwithstanding timely notice or action by Sublandlord, Landlord fails or refuses to timely act or respond, unless such failure is excused because of a default by Sublandlord as tenant under

the Master Lease, or (iii) Subtenant is in default beyond all applicable notice and cure periods under this Sublease. This Sublease shall remain in full force and effect notwithstanding the Landlord's failure or refusal to comply with any provisions of the Master Lease and Subtenant shall pay the minimum monthly rent and additional rent and all other charges provided for herein without any abatement, deduction or set off whatsoever (except as otherwise provided in Paragraph 6.2 as modified by Section 7.5) unless and until the Master Lease is terminated without liability to Sublandlord. Furthermore, Subtenant and Sublandlord further covenant not to take any action or do or perform any act or fail to perform any act which would result in the failure or breach of any of the covenants, agreements, terms, provisions or conditions of the Master Lease on the part of the Tenant thereunder.

6.2 Whenever the consent of Landlord shall be required by, or Landlord shall fail to perform its obligations under, the Master Lease, Sublandlord agrees to use commercially reasonable efforts to obtain, at Subtenant's sole cost and expense, such consent and/or performance on behalf of Subtenant. To the extent permitted by (or not precluded under) the Master Lease, Subtenant shall have the right, in its own name, to request performance of obligations required of the Landlord and to conduct such proceedings as may be required to obtain performance of such obligations, including, without limitation, the commencement of one or more actions against the Landlord. In addition, Subtenant shall have the right to make its own arrangements with Landlord to receive any additional services which Landlord is obligated to provide upon request of Landlord under the terms of the Master Lease; provided, however, if Landlord refuses to deal directly with Subtenant pursuant to its rights under the Lease, Subtenant shall have the right to request that Sublandlord make such arrangements with Landlord on Subtenant's behalf; provided, further, however, that Sublandlord shall not be required to incur any expense in connection with the foregoing. As between Sublandlord and Subtenant, Subtenant shall have the sole obligation to pay for such additional services

6.3 Sublandlord represents and warrants to Subtenant that the Master Lease is in full force and effect, as of the date hereof all obligations of both Landlord and Sublandlord thereunder have been satisfied and Sublandlord has neither given nor received a notice of default pursuant to the Master Lease.

6.4 Sublandlord covenants as follows: (i) not to voluntarily terminate the Master Lease (except upon a basis which in Subtenant's reasonable judgment would preserve for Subtenant the right to continue occupancy upon all of the terms and conditions hereof), (ii) not to modify the Master Lease without Subtenant's prior written consent, which consent shall not be unreasonably withheld so long as any proposed modification will not adversely affect Subtenant's rights hereunder, and (iii) at Subtenant's sole cost and expense to take all actions reasonably necessary to preserve the Master Lease.

7. ADDITIONAL VARIATIONS FROM MASTER LEASE. The following covenants, agreements, terms, provisions and conditions of the Master Lease are hereby modified or not incorporated herein:

7.1 Notwithstanding anything to the contrary set forth in Paragraph 2.1 of the Master Lease, the term of this Sublease shall be as set forth in Section 2 above.

7.2 The options to renew contained in Paragraph 2.2 of the Master Lease may only be exercised upon 120 days prior written notice from

Subtenant and it shall be a condition of such exercise that Subtenant not be in default under the terms and provisions of this Sublease beyond all applicable notice and cure periods.

7.3 Any notice which may or shall be given by either party hereunder shall be either delivered personally, sent by overnight private courier service, sent by certified mail, return receipt requested, or sent by fax with a copy sent by first class U.S. mail, addressed to the party for whom it is intended at the Premises (if to the Subtenant) with a copy to DJ Orthopedics , LLC, c/o Chase Capital Partners, 380 Madison Avenue, New York, NY 10017, Attn: Damion Wicker, M.D., Joans Steinman and John Daileader; or (if to the Sublandlord) to Smith & Nephew, Inc., 1450 Brooks Road, Memphis, TN 38116, Attn: General Counsel, (Fax) 901 396-7824 with a copy to Smith & Nephew, Inc., 1450 Brooks Road, Memphis, TN 38116, Attn: Chief Financial Officer, (Fax) 901-399-6151 or to such other address as may have been designated in a notice given in accordance with the provisions of this Section 7.3.

7.4 All amounts payable by Subtenant hereunder or pursuant to the Master Lease shall be payable directly to Landlord, provided: (i) Landlord agrees to accept such payments directly from Subtenant, and (ii) Subtenant timely makes all required payments under the Sublease and hereby indemnifies Sublandlord from all loss, cost, expense and liability by reason of Subtenant's failure to timely make such payment. If Subtenant fails to timely make such payments and such failure occurs more than twice in any twelve (12) month period, then Subtenant shall thereafter upon written notice from Sublandlord make all payments required under this Sublease to Sublandlord and Sublandlord shall immediately remit all such payments to Landlord. Sublandlord shall indemnify Subtenant from all loss, cost, expense and liability by reason of Sublandlord's failure to timely remit to Landlord the funds timely received from Subtenant.

7.5 The provisions of the following Paragraphs of the Master Lease shall not apply to this Sublease or shall apply only to the extent indicated: Paragraph 2.1 is modified to refer to the term of this Sublease as set forth in Section 2 hereof, Paragraph 4.1 is modified to provide that the current minimum monthly rent is $78,770.00 (which Sublandlord represents in the minimum monthly rent currently payable by Sublandlord under the Master Lease) rather than the $73,500.00 amount specified; Paragraph 5.2.c to the extent it grants Subtenant the right to terminate the Sublease or the "New Lease" as provided in Amendment #1 to the Master Lease; Paragraph 6.2 is modified to condition the right of Subtenant to withhold sums from future rents upon: (i) the ability of Sublandlord to withholding such sums under the Master Lease and (ii) Subtenant hereby indemnifying Sublandlord from all loss, cost, expense and liability to Landlord as a result of such withholding; Paragraph 6.4 is hereby modified to provide that any assignment of warranties by Sublandlord to Subtenant is conditioned upon Subtenant hereby indemnifying Sublandlord from all loss, cost, expense and liability as a result of such assignment or any action taken with respect to such warranties; Paragraph 7.1 is hereby amended to extend each of the time periods for giving notice by ten (10) days and to reduce the thirty (30) day restoration period to twenty (20) days; Paragraph 7.2 and Paragraph 11.4.b.(3) are hereby modified to increase the 2 day period to 7 days;

Paragraph 10.1 and Paragraph 10.2 are hereby modified to provided that all references to Landlord shall be deemed to refer to both Landlord and

Sublandlord; Paragraph 10.6.b is hereby modified to provide that the policies shall name both Landlord and Sublandlord; Paragraph 11.2.b is hereby modified to reduce the fifteen (15) day period for notice by Subtenant to seven (7) days and to increase the period for response by Sublandlord from fifteen (15) to twenty (20); Paragraph 11.3.c is hereby modified to provide that Sublandlord shall have no obligation to contribute its funds to restoration and any provision of the Sublease to the contrary notwithstanding, Sublandlord's duty shall be exclusively to make available funds, if any, which it receives from Landlord for such purposes; Paragraph 11.6 is hereby modified to provide that this Sublease shall terminate if Landlord exercises its right to terminate under Paragraph 11.6 of the Master Lease and to reduce the period for notice of termination by the Subtenant to fifty (50) days; Paragraph 12.4.a is hereby modified to reduce the thirty (30) day references to twenty (20) days and to reduce the ninety (90) day reference to eighty (80) days; Paragraph 12.5.a is modified to change the thirty (30) day reference to forty (40) days; Paragraph 13.1 is hereby modified to require consent of both Landlord and Sublandlord; Paragraph 13.2 is hereby deleted; Paragraph 13.3 is hereby modified to require Subtenant to pay the attorney's fees of both Landlord and Sublandlord; Paragraph 14.1.a is hereby modified to reduce the five (5) day notice to three (3) days and to reduce the thirty (30) day notice period to twenty-five (25) days and Paragraph 14.1.c is deleted in its entirety; Paragraph 14.5.a is hereby modified to increase the period to forty-five (45) days to allow Sublandlord adequate time to put Landlord on notice; Article 15 including Paragraphs 15.1 through 15.10 are hereby deleted in their entirety; The indemnities contained in Article 16 shall protect both Landlord and Sublandlord, and Sublandlord shall have no obligation to pay or reimburse Subtenant for any environmental investigation or remediation of contamination; Paragraph 16.5 is modified to reduce the response period for Subtenant to five (5) days; Article 18 is hereby modified to provide that the references to Landlord shall also be deemed to refer to Sublandlord; Paragraph 19.1 is hereby modified to provide that the Sublease shall be and remain subject and subordinate to the terms of the Master Lease; Paragraph 19.2 is hereby modified to provide that Subtenant shall respond in five (5) days rather than ten (10) days and that Sublandlord shall respond in fifteen (15) days rather than ten (10) days; Paragraph 19.3 is hereby modified to provide that it shall refer only to the interest of Sublandlord in its leasehold estate in the Premises and it shall have no liability to Subtenant for damages as a result of a breach by Landlord of its obligations under Paragraph 19.3 of the Master Lease except to the extent it shall receive compensation or damages from Landlord as a result of such breach (nor shall Sublandlord have any obligation to pursue any claims or remedies against Landlord for a breach of Paragraph 19.3 except that Sublandlord shall cooperate with Subtenant in pursuing such claims for Subtenant's benefit and at the sole cost and expense of Subtenant); Paragraph

25.1. is hereby modified to reduce the ten (10) day notice requirement and period to five (5) days; Article 26 (Paragraphs 26.1 through 26.3) are each hereby deleted in their entirety from the Sublease and Article 27 is hereby modified to require that the Subtenant must notify Sublandlord of its election to exercise the option and deposit with Sublandlord the full purchase price in cash, all within seventy-five (75) days so that Sublandlord will have no liability or risk in connection with the exercise of the option under the Master Lease.

7.6 Sublandlord shall deliver the Premises to Subtenant in its current "as is" condition, ordinary wear and tear and loss by fire or other casualty excepted.

8. INDEMNITY. Subtenant hereby agrees to indemnify and hold Sublandlord harmless from and against any and all claims, losses and damages, including, without limitation,

reasonable attorneys' fees and disbursements, which may at any time be asserted against Sublandlord by (a) the Landlord for failure of Subtenant to perform any of the covenants, agreements, terms, provisions or conditions contained in the Master Lease which by reason of the provisions of this Sublease Subtenant is obligated to perform, or (b) any person by reason of Subtenant's use and/or occupancy of the Premises, except to the extent any of the foregoing is caused by the gross negligence or willful misconduct of Sublandlord. The provisions of this Section 8 shall survive the expiration or earlier termination of the Master Lease and/or this Sublease.

9. CANCELLATION OF MASTER LEASE. In the event of the cancellation or termination of the Master Lease for any reason whatsoever or of the involuntary surrender of the Master Lease by operation of law prior to the expiration date of this Sublease, Subtenant agrees to make full and complete attornment to the Landlord under the Master Lease for the balance of the term of this Sublease and upon the then executory terms hereof at the option of the Landlord at any time during Subtenant's occupancy of the Premises, which attornment shall be evidenced by an agreement in form and substance reasonably satisfactory to the Landlord. Subtenant agrees to execute and deliver such an agreement at any time within ten (10) business days after request of the Landlord, and Subtenant waives the provisions of any law now or hereafter in effect which may give Subtenant any right of election to terminate this Sublease or to surrender possession of the Premises in the event any proceeding is brought by the Landlord under the Master Lease to terminate the Master Lease so long as Subtenant is not named in said action and so long as Landlord agrees to recognize Subtenant.

10. BROKERS. Each party hereto represents and warrants to the other

that such party did not deal with any broker or finder in connection with the consummation of this Sublease and each party agrees to indemnify, hold and save the other party harmless from and against any and all claims for brokerage commissions or finder's fees arising out of the indemnifying party's acts in connection with this Sublease. The provisions of this Section 10 shall survive the expiration or earlier termination of this Sublease.

11. ASSIGNMENT, SUBLETTING, AND SUBLEASEHOLD MORTGAGES. Subject further to all of the rights of the Landlord under the Master Lease and the restrictions contained in the Master Lease, Subtenant shall not be entitled to assign this Sublease or to sublet all or any portion of the Premises without the prior written consent of Sublandlord, which consent shall not be unreasonably withheld. Provided any required consent is obtained from Landlord in writing under the Master Lease and Subtenant is not released from its obligations hereunder, Sublandlord agrees not to withhold its consent to any assignment or sub-sublease to a party owned or controlled by Subtenant or under common ownership or control with Subtenant or which acquires all or substantially all of the business of Subtenant.

11.1 Subject to any required written consent of Landlord under the Master Lease, Subtenant may, from time to time, mortgage or otherwise encumber its interest in this Sublease (hereinafter a "Subleasehold Mortgage"), including but not limited to Subtenant's interest in any improvements, fixtures and personal property located on the Premises (the "Subleasehold Estate"), and, in connection therewith, assign the rents, issues and profits from the Subleasehold Estate. Notwithstanding any other provisions of this Sublease, any transfer of the Subleasehold Estate pursuant to, or in lieu of, foreclosure of a Subleasehold Mortgage shall be permitted

without Sublandlord's consent (any such transfer being hereinafter referred to as a "foreclosure"). Any person who becomes the holder of the Subleasehold Estate pursuant to the foreclosure of a Subleasehold Mortgage shall have no personal liability, direct or indirect, to Sublandlord for payment of any rents or other charges (except if such person elects to timely cure prior defaults to preserve this Sublease or except as provided in clause (i) of Section 11.5 below) or for satisfaction of any other claims based on events occurring prior to the date of such party's acquisition of the Subleasehold Estate, nor for conditions existing prior to the date of such party's accession to title, and any such person may thereafter assign this Sublease without Sublandlord's consent and shall be released from any and all obligations under this Sublease which arise after, or relate to any period following, the effective date of such assignment.

11.2. If Subtenant shall grant a Subleasehold Mortgage and shall provide Sublandlord with notice thereof specifying the name and address of the

Subleasehold Mortgagee, then Sublandlord, upon giving Subtenant a notice of (i) default, (ii) termination or proposed termination, (iii) a matter on which Sublandlord may claim or base a default, (iv) consent to an assignment or subletting or (v) any other matter which could materially and adversely affect the rights or obligations of Sublandlord or Subtenant, shall at the same time also give such notice to the Subleasehold Mortgagee in the manner provided in this Sublease. In the case of a default notice, such notice shall set forth with particularity all the claimed defaults. Notices delivered under this Sublease shall not be deemed effective unless and until such notice has been given to said Subleasehold Mortgagee.

11.3. Each Subleasehold Mortgagee shall have a right, but not any obligation, to perform any term, covenant, condition or agreement of this Sublease and to remedy any default by Subtenant thereunder within the time limits set forth in this Sublease, and Sublandlord shall accept such performance.

11.4. Notwithstanding anything contained in this Sublease to the contrary, if a default shall occur which would otherwise entitle Sublandlord to terminate this Sublease, Sublandlord shall have no right to terminate this Sublease in the absence of a termination of the Master Lease unless, following the expiration of the period of time given Subtenant to cure such default, Sublandlord shall give each Subleasehold Mortgagee written notice of Sublandlord's intent to terminate this Sublease at least thirty (30) days in advance of the proposed effective date of such termination. The Subleasehold Mortgagee, in addition to its right as described above to cure defaults by the Subtenant, shall have a right, in the absence of a termination of the Master Lease as a result of such default, to postpone the date on which this Sublease would terminate as a result of the Subtenant's default(s) in accordance with said notice by (a) giving Sublandlord written notice within such 30 day period of the Subleasehold Mortgagee's election to postpone the date on which this Sublease would terminate, and (b) proceeding with due diligence (i) to cure all defaults, if any, then existing which may be cured by the payment of a sum of money, (ii) to initiate and pursue steps to acquire the Subleasehold Estate by foreclosure of its Subleasehold Mortgage or otherwise, and (iii) after obtaining possession of the Premises, to cure any other then existing default(s) of Subtenant susceptible of being cured by the Subleasehold Mortgagee. In the case of any default(s) not reasonably susceptible of being cured by the Subleasehold Mortgagee, Sublandlord's right to terminate this Sublease on account thereof, in the absence of a termination of the Master Lease as a result of such default, shall be deemed to be waived so long as all other defaults are cured by the Subleasehold Mortgagee as provided above.

11.5. If this Sublease shall be terminated for any reason whatsoever while the Subleasehold Mortgage remains in effect, then in the absence of a termination of the Master Lease, Sublandlord hereby grants the Subleasehold Mortgagee or its designee the right, exercisable by notice given to Sublandlord not later than thirty (30) days after receipt by Subleasehold Mortgagee of notice of such termination from Sublandlord, to obtain a new sublease of the Premises from the date of termination for the remaining term of this Sublease upon the same terms and conditions of this Sublease (as modified hereby) including the rent and options to renew and purchase, but excluding any provisions which have been performed or are no longer applicable, provided, that Subleasehold Mortgagee (i) cures all monetary defaults under this Sublease at the time such new sublease is entered into and (ii) cures or agrees in such new sublease to cure all non-monetary defaults which are not personal to Subtenant, those which are personal to Subtenant (such as the bankruptcy or insolvency of Subtenant), being waived. The new sublease shall (a) as to the Sublandlord have the same priority as this Sublease and (b) provide that the subtenant under such new sublease shall be liable to perform the obligations imposed on the Subtenant under the new sublease only during the time period that such party is the Subtenant of the Subleasehold Estate.

11.6. Sublandlord will not accept any surrender, agree to the cancellation or failure to renew, or enter into any modification, of this Sublease without the prior written consent thereto of each Subleasehold Mortgagee of which Sublandlord has been given notice by the Subtenant. Without limiting the generality of the foregoing, in the absence of a termination of the Master Lease, no termination under Section 365(h) of the United States Bankruptcy Code, as amended, shall be effective against any Subleasehold Mortgagee without the prior written consent of such Subleasehold Mortgagee. No material amendment or modification of this Sublease shall be effective as to the Subleasehold Mortgage without the written consent of such Subleasehold Mortgagee.

11.7. If Subtenant is entitled to exercise but does not for any reason exercise at least thirty (30) days prior to the expiration of the time permitted in this Sublease for the exercise of any right or option to purchase the Premises or to extend or to renew this Sublease for any extension or renewal term provided in this Sublease, any Subleasehold Mortgagee shall have the right, for a period of thirty (30) days prior to the expiration of the time for exercising such a right or option, to elect, by notice given in the manner specified in this Sublease for the exercise of such right or option, to exercise such right or option upon the same terms and conditions and with the same effect as though such right or option had been validly exercised by Subtenant, provided such exercise shall only be effective to the extent it is timely made under the Master Lease.

11.8. In the case of any default under any Subleasehold Mortgage, the Subleasehold Mortgagee shall be entitled at its expense to have a receiver appointed, irrespective of whether such Subleasehold Mortgagee accelerates the maturity of all indebtedness secured by

its Subleasehold Mortgage, and to enter or have its receiver enter and take possession of the Premises, and manage and operate the same in accordance with the terms of this Sublease.

11.9. Sublandlord hereby waives any landlord's lien, all rights of levy or distraint, security interest or any other right or interest that Sublandlord may now or hereafter have, whether by statute, agreement or by common law, in any portion of the Subleasehold Estate or Subtenant's inventory, equipment and other personal property now or at any time hereafter located on the Premises, but excluding fixtures and equipment customarily used for operation of the building or building systems (collectively the "Personal Property"). Subject to the rights of Landlord under the Master Lease and the Estoppel and Consent of Landlord, the Personal Property may be installed in or located on the Premises and is not and shall not be deemed to be a fixture or part of the underlying real estate but shall at all times be considered personal property unless permanently affixed and customarily used for operation of the building or building systems. Sublandlord agrees that Subleasehold Mortgagee or its representatives may enter upon the Premises at any time during the term of this Sublease to inspect, remove or repossess the Personal Property or otherwise exercise its remedies with respect thereto.

11.10. Each party hereto shall, at any time and from time to time, as requested by this Subleasehold Mortgagee, upon not less than ten (10) days' prior notice, execute and deliver a statement certifying that this Sublease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), certifying the dates to which the rent has been paid, and stating whether or not, to the best knowledge of the signer, the other party is in default in the performance of any of its obligations under this Sublease, and, if so, specifying each such default of which the signer may have knowledge, it being intended that any such statement may be relied upon by others with whom the requesting party may be dealing.

12. SEVERABILITY. If any term or provision of this Sublease or the application thereof to any person or circumstances shall, to any extent, be invalid and unenforceable, the remainder of this Sublease or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term or provision of this Sublease shall be valid and be enforced to the fullest extent permitted by law.

13. ENTIRE AGREEMENT; WAIVER. This Sublease contains the entire agreement between the parties hereto with respect to the use and occupancy of the Premises and shall be binding upon and inure to the benefit of their

respective heirs, representatives, successors and permitted assigns. Any agreement hereinafter made shall be ineffective to change, modify, waive, release, discharge, terminate or effect an abandonment hereof, in whole or in part, unless such agreement is in writing and signed by the parties hereto.

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14. CAPTIONS. Captions to the Sections in this Sublease are included for convenience only and are not intended and shall not be deemed to modify or explain any of the terms of this Sublease.

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15. FURTHER ASSURANCES. The parties hereto agree that each of them, upon the request of the other party, shall execute and deliver, in recordable form if necessary, such further documents, instruments or agreements and shall take such further action that may be necessary or appropriate to effectuate the purposes of this Sublease.

16. GOVERNING LAW. This Sublease shall be governed by and in all respects construed in accordance with the internal laws of the State of California.

17. CONSENT OF LANDLORD. To the extent required by the Master Lease, the validity of this Sublease shall be subject to the Landlord's prior written consent hereto pursuant to the terms of the Master Lease. The parties shall cooperate to obtain such consent upon mutually acceptable terms.

18. SUBLANDLORD ALTERATIONS. Sublandlord shall not make any alterations or improvements to the Premises, except Sublandlord may at its election make such alterations or improvements to the Premises as may be required by law or the Master Lease.

19. SUBLANDLORD TRANSFERS. Sublandlord shall not assign, mortgage or otherwise encumber the Lease or any interest therein unless the transferee shall agree to recognize this Sublease and the rights of Subtenant hereunder.

20. SUBTENANT'S CANCELLATION RIGHT. In the event that Landlord agrees to enter into a direct lease with Subtenant for the Premises and to terminate the Master Lease without cost or liability to Sublandlord as Tenant, Subtenant shall have the right to cancel this Sublease upon five (5) days' written notice to Sublandlord. In the event that Subtenant so notifies Sublandlord, the Sublease shall be deemed terminated effective upon the termination of the Master Lease without cost or liability to Sublandlord. Subtenant and Sublandlord shall execute such documents as may be reasonably necessary to evidence the termination.

21. RECORDING. Subject to any required consent of Landlord under the Master Lease, Subtenant shall have the right to record a memorandum of this Sublease in the public records and Sublandlord agrees to execute and deliver to Subtenant such memorandum within fifteen (15) days after Subtenant's request therefor.

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22. RECAPITALIZATION AGREEMENT. The agreements contained herein shall be without prejudice to any of the rights, benefits and indemnities in favor of Subtenant or Sublandlord under the Recapitalization Agreement between Sublandlord and Subtenant or its affiliates.

IN WITNESS WHEREOF, the parties hereto have caused this Sublease to be executed as of the day and year first above written.

"SUBLANDLORD":

SMITH & NEPHEW, INC., a Delaware corporation

By: /s/ Clifford K. Lomax

Its: Treasurer

By: /s/ James A. Ralston

Its: Sr. Vice President

"SUBTENANT":

DJ ORTHOPEDIC, LLC, a Delaware limited liability company

By: /s/ Cyril Talbot III

Its: V.P., CFO and Secretary

By: /s/ Leslie H. Cross

Its: President and CEO

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EXHIBIT A

THE MASTER LEASE

EXHIBIT 10.8

AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

GUARANTY OF LEASE

WHEREAS, Smith & Nephew, Inc., a Delaware corporation as Sublandlord, hereinafter "Sublandlord", and DJ Orthopedic, LLC, a Delaware limited liability company as Subtenant, hereinafter "Subtenant", are about to execute a document entitled "Sublease" dated as of June 30, 1999 concerning the premises commonly known as Parcels H, I, & J of Parcel Map 16, 028 in the City of Vista, San Diego County, CA wherein Sublandlord will lease the premises to Subtenant, and

WHEREAS, DonJoy, LLC, a Delaware limited liability company, hereinafter "Guarantors" have a financial interest in Subtenant, and

WHEREAS, Sublandlord would not execute the Sublease if Guarantors did not execute and deliver to Sublandlord this Guarantee of Lease.

NOW THEREFORE, in consideration of the execution of the foregoing Sublease by Sublandlord and as a material inducement to Sublandlord to execute said Sublease, Guarantors hereby jointly, severally, unconditionally and irrevocably guarantee the prompt payment by Subtenant of all rents and all other sums payable by Subtenant under said Sublease and the faithful and prompt performance by Subtenant of each and every one of the terms, conditions and covenants of said Sublease to be kept and performed by Subtenant.

It is specifically agreed that the terms of the foregoing Sublease may be modified by agreement between Sublandlord and Subtenant, or by a course of conduct, and said Sublease may be assigned by Sublandlord or any assignee of Sublandlord without consent or notice to Guarantors and that this Guaranty shall guarantee the performance of said Sublease as so modified.

This Guaranty shall not be released, modified or affected by the failure or delay on the part of Sublandlord to enforce any of the rights or remedies of the Sublandlord under said Sublease, whether pursuant to the terms thereof or at law or in equity.

No notice of default need be given to Guarantors, it being specifically agreed that the guarantee of the undersigned is a continuing guarantee under which Sublandlord may proceed immediately against Subtenant and/or against Guarantors following any breach or default by Subtenant or for the enforcement of any rights which Sublandlord may have as against Subtenant under the terms of the Sublease or at law or in equity.

Sublandlord shall have the right to proceed against Guarantors hereunder

following any breach or default by Subtenant without first proceeding against Subtenant and without previous notice to or demand upon either Subtenant or Guarantors.

Guarantors hereby waive (a) notice of acceptance of this Guaranty, (b) demand of payment, presentation and protest, (c) all right to assert or plead any statute of limitations relating to this Guaranty or the Sublease, (d) any right to require the Sublandlord to proceed against the Subtenant or any other Guarantor or any other person or entity liable to Sublandlord, (e) any right to require Sublandlord to apply to any default any security deposit or other security it may hold

under the Sublease, (f) any right to require Sublandlord to proceed under any other remedy Sublandlord may have before proceeding against Guarantors, (g) any right of subrogation.

Guarantors do hereby subrogate all existing or future indebtedness of Subtenant to Guarantors to the obligations owed to Sublandlord under the Sublease and this Guaranty.

If a Guarantor is married, such Guarantor expressly agrees that recourse may be had against his or her separate property for all of the obligations hereunder.

The obligations of Subtenant under the Sublease to execute and deliver estoppel statements and financial statements, as therein provided, shall be deemed to also require the Guarantors hereunder to do and provide the same.

The term "Sublandlord" refers to and means the Sublandlord named in the Sublease and also Sublandlord's successors and assigns. So long as Sublandlord's interest in the Sublease, the leased premises or the rents, issues and profits therefrom, are subject to any mortgage or deed of trust or assignment for security, no acquisition by Guarantors of the Sublandlord's interest shall affect the continuing obligation of Guarantors under this Guaranty which shall nevertheless continue in full force and effect for the benefit of the mortgagee, beneficiary, trustee or assignee under such mortgage, deed of trust or assignment and their successors and assigns.

The term "Subtenant" refers to and means the Subtenant named in the Sublease and also Subtenant's successors and assigns.

In the event any action be brought by said Sublandlord against Guarantors hereunder to enforce the obligation of Guarantors hereunder, the unsuccessful party in such action shall pay to the prevailing party therein a reasonable attorney's fee which shall be fixed by the court.

<TABLE>
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Executed by "GUARANTORS" as of June 22, 1999	DONJOY, LLC, a Delaware limited liability company

	By:	/s/ Cyril Talbot III
	Its:	V.P., CFO and Secretary
	By:	/s/ Leslie H. Cross
	Its:	President and CEO

</TABLE>

AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

GUARANTY OF LEASE

WHEREAS, Smith & Nephew, Inc., a Delaware corporation as Sublandlord, hereinafter "Sublandlord", and DJ Orthopedic, LLC, a Delaware limited liability company as Subtenant, hereinafter "Subtenant", are about to execute a document entitled "Sublease" dated as of June 30, 1999 concerning the premises commonly known as Parcels A, B, C, D, E of Parcel Map 16, 028 in the City of Vista, San Diego County, CA wherein Sublandlord will lease the premises to Subtenant, and

WHEREAS, DonJoy, LLC, a Delaware limited liability company hereinafter "Guarantors" have a financial interest in Subtenant, and

WHEREAS, Sublandlord would not execute the Sublease if Guarantors did not execute and deliver to Sublandlord this Guarantee of Lease.

NOW THEREFORE, in consideration of the execution of the foregoing Sublease by Sublandlord and as a material inducement to Sublandlord to execute said Sublease, Guarantors hereby jointly, severally, unconditionally and irrevocably guarantee the prompt payment by Subtenant of all rents and all other sums payable by Subtenant under said Sublease and the faithful and prompt performance by Subtenant of each and every one of the terms, conditions and covenants of said Sublease to be kept and performed by Subtenant.

It is specifically agreed that the terms of the foregoing Sublease may be modified by agreement between Sublandlord and Subtenant, or by a course of conduct, and said Sublease may be assigned by Sublandlord or any assignee of Sublandlord without consent or notice to Guarantors a nd that this Guaranty shall guarantee the performance of said Sublease as so modified.

This Guaranty shall not be released, modified or affected by the failure or delay on the part of Sublandlord to enforce any of the rights or remedies of the Sublandlord under said Sublease, whether pursuant to the terms thereof or at law or in equity.

No notice of default need be given to Guarantors, it being specifically agreed that the guarantee of the undersigned is a continuing guarantee under which Sublandlord may proceed immediately against Subtenant and/or against Guarantors following any breach or default by Subtenant or for the enforcement of any rights which Sublandlord may have as against Subtenant under the terms of the Sublease or at law or in equity.

Sublandlord shall have the right to proceed against Guarantors hereunder following any breach or default by Subtenant without first proceeding against Subtenant and without previous notice to or demand upon either Subtenant or Guarantors.

Guarantors hereby waive (a) notice of acceptance of this Guaranty, (b) demand of payment, presentation and protest, (c) all right to assert or plead any statute of limitations relating to this Guaranty or the Sublease, (d) any right to require the Sublandlord to proceed against the Subtenant or any other Guarantor or any other person or entity liable to Sublandlord, (e) any right to require Sublandlord to apply to any default any security deposit or other security it may hold

under the Sublease, (f) any right to require Sublandlord to proceed under any other remedy Sublandlord may have before proceeding against Guarantors, (g) any right of subrogation.

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The term "Sublandlord" refers to and means the Sublandlord named in the Sublease and also Sublandlord's successors and assigns. So long as Sublandlord's interest in the Sublease, the leased premises or the rents, issues and profits therefrom, are subject to any mortgage or deed of trust or assignment for

security, no acquisition by Guarantors of the Sublandlord's interest shall affect the continuing obligation of Guarantors under this Guaranty which shall nevertheless continue in full force and effect for the benefit of the mortgagee, beneficiary, trustee or assignee under such mortgage, deed of trust or assignment and their successors and assigns.

The term "Subtenant" refers to and means the Subtenant named in the Sublease and also Subtenant's successors and assigns.

In the event any action be brought by said Sublandlord against Guarantors hereunder to enforce the obligation of Guarantors hereunder, the unsuccessful party in such action shall pay to the prevailing party therein a reasonable attorney's fee which shall be fixed by the court.

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<S>	<C>
Executed by "GUARANTORS" as of June 22, 1999	DONJOY, LLC, a Delaware limited liability company
	By: /s/ Cyril Talbot III ----------
	Its: V.P., CFO and Secretary ----------
	By: /s/ Leslie H. Cross ----------
	Its: President and CEO ----------

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EXHIBIT 10.9

EXECUTION COPY

PREFERRED UNIT PURCHASE AGREEMENT

DATED AS OF JUNE 30, 1999

AMONG

DONJOY, L.L.C.

AND

THE PURCHASERS NAMED HEREIN

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PREFERRED UNIT PURCHASE AGREEMENT dated as of June 30, 1999 by and among DONJOY, L.L.C., a Delaware limited liability company (the "Company"), and the Purchasers listed on Schedule I (collectively, the "Purchasers").

The Company is in the business of developing, manufacturing and marketing orthopedic recovery products (the "Business"). The Company desires to raise $31,415,000 in preferred equity financing, and the Purchasers are willing to purchase certain of the Company's redeemable preferred units (the "Preferred Units") in connection therewith, all on the terms and subject to the conditions set forth herein.

ACCORDINGLY, in consideration of the foregoing and the covenants, agreements, representations and warranties contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, the parties hereto hereby agree as follows:

ARTICLE I
DEFINED TERMS; RULES OF CONSTRUCTION

1.1 DEFINED TERMS.

Capitalized terms used and not otherwise defined in this Agreement have the meanings given to them below or in the other locations of this Agreement specified below (or, if not defined herein, have the meanings ascribed to them in the Amended and Restated Operating Agreement):

"Agreement" shall have the meaning given to such term in Section 1.2.

"Amended and Restated Operating Agreement" means the Company's Amended and Restated Operating Agreement, dated as of the date hereof, among the Company and the holders of Units of the Company, in substantially the form set forth in Exhibit A, as amended from time to time.

"Applicable Law" means , as to any Person, all provisions of laws, statutes, ordinances, rules, regulations, permits, certificates or orders of any governmental authority applicable to such Person or any of its assets or property and all judgments applicable to such Person.

"Application Fee" has the meaning given to it in Section 9.1.

"Board" means the Board of Managers of the Company.

"Business" has the meaning given to it in the Preamble to this Agreement.

"Business Day" means any day other than a Saturday, Sunday or a day on which commercial banks in New York, New York are authorized or required to be closed.

"CB Capital" means CB Capital Investors, L.P, and any successors or assigns of its Interest (as defined in the Amended and Restated Operating Agreement).

"Claim" means any claim, demand, assessment, judgment, order, decree, action, cause of action, litigation, suit, investigation or other Proceeding.

"Closing" has the meaning given to it in Section 2.4.

"Closing Certificate" has the meaning given to it in Section 7.1.

"Closing Date" has the meaning given to it in Section 2.4.

"Closing Fee" has the meaning given to it in Section 9.1.

"Code" means the Internal Revenue Code of 1986, as amended, or any similar Federal law then in force, and the rules and regulations promulgated thereunder, all as the same may from time to time be in effect.

"Commission" means the Securities and Exchange Commission or any successor or replacement thereto.

"Common Units" means the common units of the Company providing the holder thereof to the rights provided by the Amended and Restated Operating Agreement.

"Company" has the meaning given to it in the caption to this Agreement.

"Company Indemnified Persons" has the meaning given to it in Section 6.2(b).

"Credit Agreement" shall mean the Credit Agreement dated as of the date hereof, among the Company, as Parent, DJ Orthopedics, as Borrower, the lenders party thereto, First Union National Bank, as Administrative Agent, Documentation Agent and Collateral Agent, The Chase Manhattan Bank, as Syndication Agent, Issuing Bank and Swingline Lender and Chase Securities Inc., as Arranger and Book Manager, as amended from time to time.

"DJ Capital" means DJ Orthopedics Capital Corporation, a Delaware corporation and a wholly-owned subsidiary of DJ Orthopedics.

"DJ Orthopedics" means DJ Orthopedics, LLC, a Delaware limited liability company and wholly-owned subsidiary of the Company.

"Documents" means this Agreement, the Amended and Restated

Operating Agreement, the Members' Agreement and the SBA Sideletter.

"First Union" means First Union Investors, Inc., and any successors or assigns of its Interest (as defined in the Amended and Restated Operating Agreement).

"Fundamental Documents" means the documents by which any Person (other than an individual) establishes its legal existence or which govern its internal affairs. The

Fundamental Documents of the Company are the Amended and Restated Operating Agreement, the Members' Agreement and the By-Laws of the Company.

"Indemnified Persons" means any of the Company Indemnified Persons or any of the Purchaser Indemnified Persons, as the context may require.

"Indemnifying Persons" means any of the Purchasers or the Company, as the context may require.

"Indenture" has the meaning given to it in the Amended and Restated Operating Agreement.

"Initial Purchaser" has the meaning given to it in the Senior Subordinated Notes Purchase Agreement.

"Investment Company Act" shall have the meaning given to such term in Section 3.5.

"Liability" means any liability or obligation, whether known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated and whether due or to become due, regardless of when asserted.

"LLC Act" shall have the meaning given to such term in Section 3.2.

"Loss" means any loss, Liability, Claim, cost, damage, deficiency, Tax (including any Taxes imposed with respect to any indemnity payments for any such Loss), penalty, fine or expense, whether or not arising out of any Claims by or on behalf of any party to this Agreement or any third party, including interest, penalties, reasonable attorneys' fees and expenses and all amounts paid in investigation, defense or settlement of any of the foregoing which any such party may suffer, sustain or become subject to, as a result of, in connection with, relating or incidental to or by virtue of any indemnifiable event or condition.

"Members' Agreement" means the Members' Agreement among the Company and the holders of Units, in substantially the form set forth in Exhibit B, as amended from time to time.

"Offering Memorandum" means the offering memorandum dated June 17, 1999, as the same may be amended or supplemented from time to time prior to Closing, to be used in connection with the sale of the Senior Subordinated Notes.

"Person" has the meaning given to it in the Amended and Restated Operating Agreement.

"Preferred Units" has the meaning given to it in the Preamble to the Agreement providing the holder thereof to the rights provided by the Amended and Restated Operating Agreement.

"Proceeding" means any legal, administrative or arbitration action, suit, complaint, charge, hearing, inquiry, investigation or proceeding.

"Purchaser" has the meaning given to it in the caption to this Agreement and any Person succeeding to the rights of a Purchaser pursuant to the terms hereof.

"Purchaser Indemnified Person" has the meaning given to it in Section 7.2(a).

"Recapitalization Agreement" means the Recapitalization Agreement, dated as of April 29, 1999, by and among Chase DJ Partners, LLC, Smith & Nephew, Inc. and the Company.

"SBA Sideletter" means the letter from the Company to CB Capital, in substantially the form attached as Exhibit C.

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

"Senior Subordinated Notes" means the Company's 12 5/8% Senior Subordinated Notes due 2009 issued on the date hereof.

"Senior Subordinated Notes Purchase Agreement" means the Purchase Agreement dated as of June 17, 1999, among the Company, DJ Orthopedics, DJ Capital and the Initial Purchaser signatory thereto.

"Tax" means any Taxes and the term "Taxes" means, with respect to any Person, (A) all income taxes (including any tax on or based upon net income, or gross income, or income as specially defined, or earnings, or profits, or selected items of income, earnings or profits) and all gross receipts, sales, use, ad valorem, transfer, franchise, license, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property or windfall profits taxes, alternative or add-on minimum taxes, customs duties or other taxes, fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts imposed by any taxing authority (domestic or foreign) on such Person and (B) any Liability for the payment of any amount of the type described in the immediately preceding clause (A) as a result of (i) being a "transferee" (within the meaning of Section 6901 of the Code or any other Applicable Law) of another Person, (ii) being a member of an affiliated, combined or consolidated group or (iii) a contractual arrangement or otherwise.

"Transaction Documents" has the meaning given to it in Section 3.3.

"Units" means, collectively, the Common Units and the Preferred Units.

1.2 RULES OF CONSTRUCTION.

The term this "Agreement" means this agreement together with all schedules and exhibits hereto, as the same may from time to time be amended, modified, supplemented or restated in accordance with the terms hereof. The use in this Agreement of the term "including" means "including, without limitation." The words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole, including the schedules and exhibits, as the same may from time to time be amended, modified, supplemented or restated, and not to any particular section, subsection, paragraph, subparagraph or clause contained in this Agreement. All references to sections, schedules and exhibits mean the sections of this Agreement and the

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schedules and exhibits attached to this Agreement, except where otherwise stated. The title of and the section and paragraph headings in this Agreement are for convenience of reference only and shall not govern or affect the interpretation of any of the terms or provisions of this Agreement. The use herein of the masculine, feminine or neuter forms shall also denote the other forms, as in each case the context may require or permit. Where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit or restrict in any manner the construction of the general statement to which it relates. The language used in this Agreement has been chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party. Unless expressly provided otherwise, the measure of a period of one month or year for purposes of this Agreement shall be that date of the following month or year corresponding to the starting date, provided that if no corresponding date exists, the measure shall be that date of the following month or year corresponding to the next day following the starting date. For example, one month following February 18 is March 18, and one month following March 31 is May 1.

ARTICLE II
PURCHASE AND SALE OF PREFERRED UNITS; CLOSING

2.1 AMENDED AND RESTATED OPERATING AGREEMENT.

Simultaneously with or prior to the Closing, the Company shall execute and deliver the Amended and Restated Operating Agreement. The Amended and Restated Operating Agreement designates 100,000 Preferred Units and sets forth the powers, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof.

2.2 AUTHORIZATION OF ISSUANCE OF PREFERRED UNITS.

The Company has authorized the issuance, sale, transfer, assignment, conveyance and deliverance at the Closing of an aggregate of 40,184 Preferred Units.

2.3 SALE OF PREFERRED UNITS.

At the Closing, subject to the satisfaction or waiver of the conditions set forth in Article VI, the Company shall issue, sell, transfer, assign, convey and deliver to each Purchaser, and each Purchaser shall severally purchase from the Company, that number of Preferred Units set forth opposite its name on Schedule I for the aggregate purchase price set forth opposite its name.

2.4 CLOSING.

The closing (the "Closing") hereunder with respect to the issuance, sale, transfer, assignment, conveyance and delivery of the Preferred Units being purchased by each Purchaser at the Closing and the consummation of the related transactions contemplated hereby shall, subject to the satisfaction or waiver of the applicable conditions set forth in Article VI, take place at the offices of O'Sullivan Graev & Karabell, LLP, 30 Rockefeller Plaza, New York, New York 10112 at 10:00 a.m., local time, on the date of the closing of the transactions contemplated

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by the Recapitalization Agreement, or at such other time, date or place as agreed to by the parties (such date, the "Closing Date").

2.5 CLOSING DELIVERIES.

At the Closing, the Company shall deliver to each Purchaser purchasing Preferred Units a certificate, registered in such Purchaser's name, representing the Preferred Units purchased by such Purchaser at the Closing, against receipt by the Company of a wire transfer, of immediately available funds to an account or accounts designated by the Company, of an aggregate amount equal to the purchase price for the Preferred Units being purchased by such Purchaser at the Closing.

2.6 USE OF PROCEEDS.

The proceeds received by the Company from the sale of Preferred Units shall be used by the Company (i) as set forth under "Sources and Uses of Funds" in the Offering Memorandum and (ii) to pay the Application Fee and the Closing Fee as set forth in

Section 9.1.

ARTICLE III
REPRESENTATIONS AND WARRANTIES ABOUT THE COMPANY

The Company represents and warrants to each Purchaser as follows:

3.1 PRIVATE SALE.

Assuming the accuracy of the representations of the Purchasers in Section 4.2, the offering, sale, and issuance of the Preferred Units will be exempt from registration under the Securities Act and applicable state securities laws and the rules and regulations promulgated thereunder.

3.2 CAPITALIZATION.

(a) As of the Closing Date, the Company will have an authorized capitalization as set forth in the Offering Memorandum under the heading "Security Ownership of Certain Beneficial Owners and Management--Description of Operating Agreement"; all of the outstanding Units of the Company have been duly and validly authorized and issued and are not subject to assessment by the Company for additional capital contributions; provided, however, that each member of the Company would be liable for the amount of any distribution to such member (or its predecessor in interest) made in violation of Section 18-607 or Section 18-804 of the Limited Liability Company Act of the State of Delaware (the "LLC Act") to the extent the same is required to be returned to or for the account of the Company as provided in Section 18-607 or Section 18-804, as applicable, of the LLC Act, potentially with interest. All of the outstanding units or shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, and, in the case of capital stock, fully paid and non-assessable or, in the case of the units of DJ Orthopedics, are not subject to assessment by the Company for additional capital contributions; provided, however, that each member of DJ Orthopedics will be liable for the amount of any distribution to such member (or its predecessor in interest) made in violation of Section 18-607 or Section 18-804 of the LLC Act to the extent the same is required

to be returned to or for the account of the Company as provided in Section 18-607 or Section 18-804, as applicable, of the LLC Act, potentially with interest; and are owned directly by the Company, free and clear of any lien, charge, encumbrance, security interest, restriction upon voting or transfer or any other claim of any third party, (except for those created pursuant to the Credit Agreement, the Amended and Restated Operating Agreement or the Members' Agreement and except for those described in the Offering Memorandum). DJ

Orthopedics has no subsidiaries other than DJ Capital and Smith & Nephew DonJoy de Mexico, S.A. de C.V., a Mexican corporation.

(b) Except as described in the Offering Memorandum, there are no outstanding subscriptions, rights, warrants, calls or options to acquire, or instruments convertible into or exchangeable for, or agreements or understandings with respect to the sale or issuance of, units or other equity or other ownership interests in the Company or any of its subsidiaries.

3.3 AUTHORITY, EXECUTION AND ENFORCEABILITY.

(a) The Company (i) has full right, power and authority to execute and deliver this Agreement, and (ii) had or has full right, power and authority to execute and deliver the Recapitalization Agreement, the Amended and Restated Operating Agreement, the Members' Agreement, the Credit Agreement, the Indenture and the Senior Subordinated Notes Purchase Agreement (collectively, the "Transaction Documents") and to perform its respective obligations hereunder and thereunder; and all requisite action required to be taken for the due and proper authorization, execution and delivery of each of the Transaction Documents to which it is a party and the consummation of the transactions contemplated thereby have been duly and validly taken.

(b) Each Transaction Document has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding agreement of the Company, enforceable against it in accordance with its terms, except to the extent that (i) such enforceability may be subject to (A) bankruptcy, insolvency, fraudulent, conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally and (B) general equitable principles (whether considered in a proceeding in equity or at law) and (ii) the validity or enforceability of rights to indemnification and contribution thereunder may be limited by Federal or state securities laws or regulations or the public policy underlying such laws or regulations.

3.4 NO CONFLICT.

The execution, delivery and performance by the Company of each of the Transaction Documents to which it is a party, the compliance by the Company with the terms thereof and the consummation of the transactions contemplated thereby will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or, except for those existing on the Closing Date and permitted under the Credit Agreement and those created pursuant to the Credit Agreement, result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, any material indenture, mortgage, deed of trust, loan agreement or other material agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the

Company or any of its subsidiaries is subject, nor will any such actions result in any violation of the provisions of the limited liability company agreement, operating agreement, charter or by-laws, as applicable, of the Company or any of its subsidiaries or any statute or any judgment, order, decree, rule or regulation of any court or arbitrator or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties or assets (assuming compliance by each Purchaser with its representations, warranties and agreements set forth in Section 4 hereof and assuming compliance by the Initial Purchaser of its representations, warranties and agreements set forth in Section 2 of the Senior Subordinated Notes Purchase Agreement); and (assuming compliance by each Purchaser with its representations, warranties and agreements set forth in Section 4 hereof and assuming compliance by the Initial Purchaser of its representations, warranties and agreements set forth in Section 2 of the Senior Subordinated Notes Purchase Agreement) no consent, approval, authorization or order of, or filing or

registration with, any such court or arbitrator or governmental agency or body under any such statute, judgment, order, decree, rule or regulation is required for the execution, delivery and performance by the Company of each of the Transaction Documents to which it is a party, the issuance, sale and delivery of the Preferred Units and compliance by the Company with the terms thereof and the consummation of the transactions contemplated by the Transaction Documents, except for such consents, approvals, authorizations, filings, registrations or qualifications which shall have been obtained or made prior to the Closing Date.

3.5 INVESTMENT COMPANY ACT.

Neither the Company nor any of its subsidiaries is (i) an "investment company" or a company "controlled by" an investment company within the meaning of the Investment Company Act of 1940, as amended (the "Investment Company Act"), and the rules and regulations of the Commission thereunder or (ii) a "holding company" or a "subsidiary company" of a holding company or an "affiliate" thereof within the meaning of the Public Utility Holding Company Act of 1935, as amended.

3.6 RECAPITALIZATION AGREEMENT.

Except as set forth on Schedule 3.6 hereto, or as described in the Offering Memorandum, the representations and warranties contained in Article V of the Recapitalization Agreement are true and correct in all material respects (except to the extent such representations and warranties which expressly relate to an earlier date, in which case, such representations and warranties shall be true and correct in all material respects on such date).

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE PURCHASERS

Each Purchaser severally represents and warrants to the Company as to itself and not as to any other Purchaser, as of the date hereof, as follows:

4.1 AUTHORIZATION OF THE DOCUMENTS.

Such Purchaser has all requisite power and authority to execute, deliver and perform the Documents to which it is a party and the transactions contemplated thereby, and the execution,

delivery and performance by such Purchaser of the Documents to which it is a party have been duly authorized by all requisite action by such Purchaser. This Agreement has been duly executed and delivered by such Purchaser and this Agreement constitutes and, when executed and delivered by such Purchaser (assuming the due authorization, execution and delivery by the other parties thereto), each other Document to which such Purchaser is a party will constitute a valid and binding obligation of such Purchaser, enforceable against such Purchaser in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws and subject to general principles of equity.

4.2 INVESTMENT REPRESENTATIONS.

Solely for establishing that the issuance, sale, transfer, assignment, conveyance and deliverance of the Preferred Units to such Purchaser is exempt from the registration requirements of the Securities Act and comparable provisions of state blue-sky laws and not in any way to mitigate the responsibility or Liability of the Company for any breach of the representations and warranties made by it in this Agreement, on which such Purchaser is relying in full in connection with its decision to invest in the Company:

(a) Such Purchaser is acquiring the Preferred Units for its own account, for investment and not with a view to the distribution thereof or any interest therein in violation of the Securities Act or applicable state securities laws.

(b) Such Purchaser understands that (i) the Preferred Units have not been registered under the Securities Act or applicable state securities laws by reason of their issuance by the Company in a transaction exempt from the registration requirements of the Securities Act and applicable state securities laws and (ii) the Preferred Units must be held by such Purchaser indefinitely unless a subsequent disposition thereof is registered under the Securities Act and applicable state securities laws or is exempt from such registration.

(c) Such Purchaser further understands that the exemption from registration afforded by Rule 144 (the provisions of which are known to such Purchaser) promulgated under the Securities Act depends on the satisfaction of various conditions, and that, if applicable, Rule 144 may afford the basis for sales of the Preferred Units acquired hereunder in limited amounts.

(d) Such Purchaser has not employed any broker or finder in connection with the transactions contemplated by this Agreement.

(e) Such Purchaser is an "accredited investor" (as defined in Rule 501(a) of Regulation D promulgated under the Securities Act). The Company has made available to such Purchaser or its representatives all agreements, documents, records and books that such Purchaser has requested relating to an investment in the Preferred Units which may be acquired by the Purchaser hereunder. Such Purchaser has had an opportunity to ask questions of, and receive answers from, a person or persons acting on behalf of the Company, concerning the terms and conditions of this investment, and answers have been provided to all of such questions to the full satisfaction of such Purchaser. Such Purchaser has such knowledge and experience in financial and business matters that it is capable of evaluating the risks and merits of this investment. Such Purchaser's representations in this subsection shall in no way limit the

enforceability of any representations made by the Company in any of the Documents to which it is a party.

(f) Such Purchaser was not formed for the purpose of consummating the transactions contemplated hereby.

ARTICLE V
COVENANTS

5.1 INFORMATION RIGHTS.

The Company shall furnish each Purchaser with the following:

(a) Monthly Reports. As soon as available, but not later than 30 days after the end of each fiscal month, a consolidated balance sheet of the Company as of the end of such period and consolidated statements of income of the Company for such period and for the period commencing at the end of the previous fiscal year and ending with the end of such period, setting forth in each case in comparative form the corresponding figures for the corresponding period of the preceding fiscal year, and including comparisons to the budget or business plan and an analysis of the variances from the budget or plan, all prepared in accordance with generally accepted accounting principles consistently applied with past practices (except for the absence of footnotes and year-end adjustments).

(b) Quarterly Reports. As soon as available, but not later than 45 days after the end of each quarterly accounting period, (i) a consolidated balance sheet of the Company as of the end of such period and consolidated statements of income, cash flows and changes in members' equity for such quarterly accounting period and for the period commencing at the end of the previous fiscal year and ending with the end of such period, setting forth in each case in comparative form the corresponding figures for the corresponding period of the preceding fiscal year, and including comparisons to the budget or business plan and an analysis of the variances from the budget or plan, all prepared in accordance with generally accepted accounting principles consistently applied with past practices (except for the absence of footnotes and year-end adjustments) and (ii) a report by management of the Company of the operating and financial highlights of the Company and its subsidiaries for such period.

(c) Annual Audit. As soon as available, but not later than 120 days after the end of each fiscal year of the Company, audited consolidated financial statements of the Company, which shall include statements of income, cash flows and changes in members' equity for such fiscal year and a balance sheet as of the last day thereof, each prepared in accordance with generally accepted accounting principles, consistently applied, and accompanied by the report of a "Big 5" firm of independent certified public accountants selected by the Board (the "Accountants"). The Company and its subsidiaries shall maintain a system of accounting sufficient to enable its Accountants to render the report referred to in this Section 4.

(d) Budgets. As soon as available, but not more than 90 days after the commencement of each new fiscal year, a business plan and projected financial statements for such new fiscal year.

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(e) Miscellaneous. Promptly upon becoming available, the Company shall provide to each Purchaser copies of all financial statements, reports, press releases, notices, proxy statements and other documents sent by the Company or its subsidiaries to its members generally or released to the public and copies of all regular and periodic reports, if any, filed by the Company or its subsidiaries with the Commission, any securities exchange or the NASD.

5.2 COMPLIANCE WITH INDENTURE COVENANTS.

So long as any Preferred Units (other than Paid Preferred Units) are outstanding, the Company shall cause DJ Orthopedics to perform its obligations under Section 4.03, Section 4.05, Section 4.06, Section 4.07, Section 4.09 and Section 4.12 of the Indenture.

5.3 COMPLIANCE WITH CREDIT AGREEMENT COVENANTS.

So long as any Preferred Units (other than Paid Preferred Units) are outstanding, the Company will perform its obligations under Section 6.01(b), Section 6.03(b) and Section 6.09 of the Credit Agreement, as in effect on the date hereof.

ARTICLE VI
CONDITIONS TO CLOSING

6.1 CONDITIONS TO PURCHASERS' OBLIGATIONS.

The obligation of each Purchaser to purchase and pay for the Preferred Units to be purchased hereunder at the Closing is subject to the satisfaction of the following conditions, whether precedent or subsequent (unless waived by such Purchaser):

(a) The Company and each member of the Company (other than the

Purchasers) shall have executed and delivered to each Purchaser a counterpart to the Amended and Restated Operating Agreement.

(b) The Company shall have duly issued and delivered to each Purchaser a certificate for the number of Preferred Units purchased by such Purchaser.

(c) The Company and each member of the Company (other than the Purchasers) shall have duly executed and delivered to each Purchaser a counterpart to the Members' Agreement.

(d) The Company shall have executed and delivered to each Purchaser an SBA Sideletter.

(e) The Company shall have performed its obligations under, and shall have complied with, all the covenants and agreements set forth in this Agreement.

(f) Each Purchaser shall have received a certificate from the Secretary or an Assistant Secretary of the Company, dated as of the Closing Date, certifying (i) that true and complete copies of the Fundamental Documents of the Company as in effect on the Closing Date

are attached thereto, (ii) as to the incumbency and genuineness of the signatures of each Person executing this Agreement and the other Documents on behalf of the Company and (iii) the genuineness of the resolutions (attached thereto) of the Board or similar governing body of the Company authorizing the execution, delivery and performance of this Agreement and the other Documents to which the Company is a party and the consummation of the transactions contemplated hereby and thereby.

(g) All representations and warranties of the Company contained in Article III shall be true and correct in all material respects on and as of the Closing Date.

(h) The transactions contemplated by the Recapitalization Agreement, the Credit Agreement and the Senior Subordinated Notes Purchase Agreement shall be consummated concurrently with the closing under this Agreement.

6.2 CONDITIONS TO THE COMPANY'S OBLIGATIONS.

The obligation of the Company to issue the Preferred Units to each Purchaser at the Closing is subject to the satisfaction of the following conditions whether precedent or subsequent (unless waived by the Company):

(a) Each Purchaser shall have delivered to the Company by wire transfer, of immediately available funds to an account or accounts designated by the Company, an aggregate amount equal to the purchase price for the Preferred Units being purchased by such Purchaser.

(b) Each Purchaser and each other member of the Company shall have duly executed and delivered to the Company a counterpart to the Amended and Restated Operating Agreement.

(c) Each Purchaser and each other member of the Company shall have duly executed and delivered to the Company a counterpart to the Members' Agreement.

(d) All representations and warranties of each Purchaser contained in Article III shall be true and correct in all material respects on and as of the Closing Date.

(e) The transactions contemplated by the Recapitalization Agreement, the Credit Agreement and the Senior Subordinated Notes Purchase Agreement shall be consummated concurrently with the closing under this Agreement.

ARTICLE VII
INDEMNIFICATION

7.1 SURVIVAL OF REPRESENTATIONS, WARRANTIES, AGREEMENTS AND COVENANTS, ETC.

All statements contained in this Agreement or any other Document or any closing certificate delivered by the Company or the Purchasers, pursuant to this Agreement or in connection with the transactions contemplated by this Agreement (each, a "Closing Certificate"), shall constitute representations and warranties by the Company, or the Purchasers, as applicable, under this Agreement. Notwithstanding any investigation made at any time by or on behalf of any party hereto, all representations and warranties contained in this Agreement or made in

writing by or on behalf of the Company, or any Purchaser, in connection with the transactions contemplated by this Agreement shall survive the Closing until fifteen (15) months following the Closing Date, provided however, that the representations and warranties contained in Sections 3.2, 3.3, 3.4 and Article IV shall survive the Closing indefinitely and the representations and warranties contained in Section 3.6 shall survive the Closing until such time as such representations and warranties cease to survive under the Recapitalization Agreement.

7.2 INDEMNIFICATION.

(a) In addition to all other rights and remedies available to the Purchasers, the Company shall indemnify, defend and hold harmless each Purchaser and its affiliates and their respective partners, officers, directors, employees, agents and representatives (collectively, the "Purchaser Representatives"; and together with such Purchaser, the "Purchaser Indemnified Persons") against all Losses, and none of the Purchaser Indemnified Persons shall be liable to the Company or any other stockholder of the Company for or with respect to any and all Losses, together with all costs and expenses (including legal and accounting fees and expenses) related thereto or incurred in enforcing this Article VII, (i) arising from the untruth, inaccuracy or breach of any of the representations or warranties of the Company (without giving effect to any qualification as to materiality) contained in any Document or Closing Certificate or any facts or circumstances constituting any such untruth, inaccuracy or breach or (ii) arising from the breach of any covenant or agreement of the Company contained in any Document or any facts or circumstances constituting such breach.

(b) In addition to all other rights and remedies available to the Company, each Purchaser severally as to itself only and not as to any other Purchaser, shall indemnify, defend and hold harmless the Company and its officers, directors, employees, agents and representatives (collectively, the "Company Indemnified Persons,") against all Losses, together with all reasonable out-of-pocket costs and expenses (including legal and accounting fees and expenses) related thereto or incurred in enforcing this Article VII, (i) arising from the untruth, inaccuracy or breach of any of the representations or warranties of such Purchaser contained in any Document or Closing Certificate or any facts or circumstances constituting such untruth, inaccuracy or breach or (ii) arising from the breach of any covenant or agreement of such Purchaser contained in any Document or any facts or circumstances constituting such breach.

(c) If for any reason the indemnity provided for in this

Section 7.2 is unavailable to any Indemnified Person or is insufficient to hold each such Indemnified Person harmless from all such Losses arising with respect to the transactions contemplated by this Agreement, then the Indemnifying Persons shall contribute to the amount paid or payable for such Losses in such proportion as is appropriate to reflect not only the relative benefits received by the Indemnifying Persons on the one hand and such Indemnified Person on the other but also the relative fault of the Indemnifying Persons and the Indemnified Person as well as any other relevant equitable considerations. In addition, the Indemnifying Persons shall reimburse any Indemnified Person upon demand for all reasonable expenses (including reasonable fees of legal counsel) incurred by such Indemnified Person in connection with investigating, preparing for or defending any such action or claim. The indemnity, contribution and expenses reimbursement obligations that the Indemnifying Persons have under this Article VII shall be in addition to any Liability that the Indemnifying Persons may otherwise have. The Indemnifying Persons further agree that the

indemnification and reimbursement commitments set forth in this Agreement shall apply whether or not the Indemnified Person is a formal party to any such Claim.

(d) Any indemnification of an Indemnified Person by Indemnifying Persons pursuant to this Section shall be effected by wire transfer of immediately available funds from the Indemnifying Persons to an account designated by the Indemnified Person within 15 days after the determination thereof.

(e) All indemnification rights hereunder shall survive the execution and delivery of the Documents and the consummation of the transactions contemplated herein and therein indefinitely, regardless of any investigation, inquiry or examination made for or on behalf of, or any knowledge of the Purchaser and/or any of the other Indemnified Parties or the acceptance by the Purchaser of any certificate or opinion.

ARTICLE VIII
TRANSFER OF SECURITIES

8.1 RESTRICTION ON TRANSFER.

The Preferred Units shall be restricted from transfer as set forth in the Amended and Restated Operating Agreement and the Members' Agreement.

8.2 RESTRICTIVE LEGENDS.

Each certificate evidencing the Preferred Units shall be stamped or otherwise imprinted with a legend as set forth in the Members' Agreement.

ARTICLE IX
ADDITIONAL AGREEMENTS OF THE COMPANY

9.1 FEES.

(a) The Company will pay, and save the Purchasers harmless against all Liability, whether or not the Closing hereunder occurs, for the payment of, (i) all costs and other expenses incurred from time to time by the Company in connection with the Company's performance of and compliance with all agreements and conditions contained herein on its part to be performed or complied with (including the reasonable costs and expenses of counsel incurred in connection with the review and preparation of the Documents), (ii) the actual and reasonable out-of-pocket costs and expenses incurred by CB Capital in connection with the transactions contemplated hereby, including reasonable fees, expenses and charges of O'Sullivan Graev & Karabell, LLP (counsel to CB Capital), (iii) the reasonable costs and expenses (including fees, expenses and charges of counsel) incurred by the Purchasers in connection with any amendment

or waiver of, or enforcement of, any Document relating to the transactions contemplated hereby and (iv) the reasonable costs and expenses incurred by each Purchaser in any filing with any governmental authority with respect to its investment in the Company or in any other filing with any governmental authority with respect to the Company that mentions such Purchaser.

(b) The Company further agrees that it will pay, and will save the Purchasers harmless from, any and all Liability with respect to any stamp or similar taxes which may be determined to be payable in connection with the execution and delivery and performance of the Documents or any modification, amendment or alteration of the terms or provisions of the Documents.

(c) The Company further agrees that it will pay (a) a closing fee (the "Closing Fee") in the aggregate amount of $1,100,850 and (b) an application fee (the "Application Fee") in the aggregate amount of $314,150 to the Purchasers, to be shared by the Purchasers pro rata in accordance with the number of Preferred Units purchased hereunder. The Company hereby authorizes each Purchaser to withhold from its aggregate purchase price set forth opposite its name on Schedule I hereto, its pro rata portion of the applicable fees payable to it by the Company pursuant to this Section 9.1(c).

9.2 FURTHER ASSURANCES.

The Company shall duly execute and deliver, or cause to be duly executed and delivered, at its own cost and expense, such further instruments and documents and to take all such action, in each case as may be necessary or proper in the reasonable judgment of the Purchasers holding a majority of the Preferred Units to carry out the provisions and purposes of the Agreement and the other Documents.

9.3 REMEDIES.

In case any one or more of the representations, warranties, covenants and/or agreements set forth in this Agreement shall have been breached by the Company, the Purchasers (or any Purchaser) may proceed to protect and enforce its or their rights either by suit in equity and/or by action at law, including an action for damages as a result of any such breach and/or an action for specific performance of any such covenant or agreement contained in this Agreement.

9.4 SUCCESSORS AND ASSIGNS.

This Agreement shall bind and inure to the benefit of the Company and the Purchasers and their respective successors and assigns. Upon any transfer of any Preferred Units, as a condition to transfer the transferee shall agree to be bound by, and entitled to the benefits of, this Agreement with respect to such transferred Preferred Units in the same manner as the transferring Purchaser.

9.5 ENTIRE AGREEMENT.

This Agreement and the other writings referred to herein or delivered pursuant hereto which form a part hereof contain the entire agreement among the parties with respect to the subject matter hereof and thereof and supersede all prior and contemporaneous arrangements or understandings with respect thereto.

9.6 NOTICES.

All notices and other communications delivered hereunder (whether or not required to be delivered hereunder) shall be deemed to be sufficient and duly given if contained in a written instrument (a) personally delivered, (b) sent by telecopier, (c) sent by nationally-recognized overnight courier guaranteeing next Business Day delivery or (d) sent by first class registered or certified mail, postage prepaid, return receipt requested, in each case addressed as follows:

if to the Company, to:

DonJoy, L.L.C.
2985 Scott St.
Vista, CA 92083
Telephone: (760) 727-1280
Telecopier: (760) 734-3536
Attention: Mr. Leslie H. Cross
Chief Executive Officer

with a copy to:

O'Sullivan Graev & Karabell, LLP
30 Rockefeller Plaza
New York, NY 10112
Telephone: (212) 408-2400
Telecopier: (212) 728-5950
Attention: John J. Suydam, Esq.

if to CB Capital, to its address set forth on Schedule I attached hereto;

with a copy to:

O'Sullivan Graev & Karabell, LLP
30 Rockefeller Plaza
New York, NY 10112
Telephone: (212) 408-2400
Telecopier: (212) 728-5950
Attention: John J. Suydam, Esq.

if to First Union, to its address set forth on Schedule I attached hereto;.

or to such other address as the party to whom such notice or other communication is to be given may have furnished to each other party in writing in accordance herewith. Any such notice or communication shall be deemed to have been received (i) when delivered, if personally delivered, (ii) when sent, if sent by telecopy on a Business Day (or, if not sent on a Business Day, on the next Business Day after the date sent by telecopy), (iii) on the next Business Day after dispatch, if sent by nationally recognized, overnight courier guaranteeing next Business Day delivery, and (iv) on the fifth Business Day following the date on which the piece of mail containing such communication is posted, if sent by mail.

9.7 AMENDMENTS, MODIFICATIONS AND WAIVERS.

The terms and provisions of this Agreement may not be modified or amended, nor may any of the provisions hereof be waived, temporarily or permanently, except pursuant to a written instrument executed by the Company and the holders of a majority of the Preferred Units; provided however that any such amendment, modification or waiver that would adversely affect the rights hereunder of any Purchaser, in its capacity as a Purchaser, without similarly

affecting the rights hereunder of all Purchasers, in their capacities as Purchasers, shall not be effective as to such Purchaser without its prior written consent. No waiver by any party shall operate or be construed as a waiver of any subsequent breach by any other party.

9.8 GOVERNING LAW; WAIVER OF JURY TRIAL.

(a) All questions concerning the construction, interpretation and validity of the Documents shall be governed by and construed and enforced in accordance with the domestic laws of the State of Delaware, without giving effect to any choice or conflict of law provision or rule (whether in the State of Delaware or any other jurisdiction) that would cause the application

of the laws of any jurisdiction other than the State of Delaware. In furtherance of the foregoing, the internal law of the State of Delaware will control the interpretation and construction of the Documents, even if under such jurisdiction's choice of law or conflict of law analysis, the substantive law of some other jurisdiction would ordinarily or necessarily apply.

(b) 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 LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING BROUGHT TO ENFORCE OR DEFEND ANY RIGHTS OR REMEDIES UNDER THIS AGREEMENT OR ANY DOCUMENTS RELATED HERETO.

(c) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of any court of the State of New York or Federal court of the United States of America sitting in the State of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such court of the State of New York or, to the extent permitted by law, in such Federal court. Each of the parties hereto 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.

(d) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court of the State of New York or Federal court. Each of the parties hereto irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

9.9 NO THIRD PARTY RELIANCE.

Anything contained herein to the contrary notwithstanding, the representations and warranties of the Company contained in this Agreement (a) are being given by the Company as an inducement to the Purchasers to enter into this Agreement and the other Documents (and the Company acknowledges that the Purchasers have expressly relied thereon) and (b) are solely for the benefit of the Purchasers and their permitted assigns. Accordingly, no third party (including, without limitation, any other holder of any equity interest of the Company) or anyone acting on behalf of any thereof other than the Purchasers and their permitted assigns, and each of them, shall be a third party or other

beneficiary of such representations and warranties and no such third party shall have any rights of contribution against the Purchasers or the Company with respect to such representations or warranties or any matter subject to or resulting in indemnification under this Agreement or otherwise.

9.10 SEVERABILITY.

It is the desire and intent of the parties that the provisions of this Agreement be enforced to the fullest extent permissible under the law and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, in the event that any provision of this Agreement would be held in any jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

9.11 INDEPENDENCE OF AGREEMENTS, COVENANTS, REPRESENTATIONS AND WARRANTIES.

All agreements and covenants hereunder shall be given independent effect so that if a certain action or condition constitutes a default under a certain agreement or covenant, the fact that such action or condition is permitted by another agreement or covenant shall not affect the occurrence of such default, unless expressly permitted under an exception to such initial covenant. In addition, all representations and warranties hereunder shall be given independent effect so that if a particular representation or warranty proves to be incorrect or is breached, the fact that another representation or warranty concerning the same or similar subject matter is correct or is not breached will not affect the incorrectness of or a breach of a representation and warranty hereunder.

9.12 COUNTERPARTS; FACSIMILE SIGNATURES.

This Agreement may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement. Facsimile counterpart signatures to this Agreement shall be acceptable and binding.

* * * *

IN WITNESS WHEREOF, the parties hereto have executed this Preferred Unit Purchase Agreement as of the date first above written.

COMPANY:

DONJOY, L.L.C.

By: /s/ Cyril Talbot III

Name: Cyril Talbot III
Title: Vice President- Finance, Chief

Financial Officer and Secretary

PURCHASERS:

CB CAPITAL INVESTORS, L.P.

By: CB Capital Investors, Inc.,
its General Partner

By: /s/ Mitchell Blutt

Name: Mitchell Blutt, M.D.
Title: Vice President

FIRST UNION INVESTORS, INC.

By: /s/ Neal Morrison

Name: Neal Morrison
Title: Sr. Vice President

[Signature Page to Preferred Unit Purchase Agreement]

SCHEDULE I

<TABLE>
<CAPTION>

NAME AND ADDRESS	NUMBER OF UNITS	TOTAL PRICE
<S>	<C>	<C>
CB CAPITAL INVESTORS, L.P. c/o Chase Capital Partners 380 Madison Avenue, 12th Floor New York, NY 10017 Attention: Eric Green Tel: (212) 622-3100 Fax: (212) 622-3101	27,124	$21,204,968.64
FIRST UNION INVESTORS, INC. One First Union Center Charlotte, NC 28288	13,060	$10,210,031.36

Attention: Eric Eubank
Tel: (704)
Fax: (704)

TOTAL	40,184	$31,415,000

</TABLE>

EXHIBIT 10.10

EXECUTION COPY

MEMBERS' AGREEMENT dated as of June 30, 1999, among DONJOY, L.L.C., a Delaware limited liability company (the "Company"), and the Members that are parties hereto.

WHEREAS, each Member deems it to be in the best interest of the Company and the Members that provision be made for the continuity and stability of the business and policies of the Company, and, to that end, the Company and the Members hereby set forth herein their agreement with respect to the Member Units owned by them.

NOW, THEREFORE, in consideration of the premises and of the mutual consents and obligations hereinafter set forth, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS.

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

"AFFILIATE" shall mean with respect to any Person, any other Person, directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with such Person. The term "control" means and includes the possession, directly or indirectly, of the power to direct the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"BOARD" shall mean the Board of Managers of the Company.

"CHASE" shall mean Chase DJ Partners, LLC.

"COMMISSION" shall mean the Securities and Exchange Commission or any other Federal agency at the time administering the Securities Act.

"COMMON UNIT" shall mean one Common Unit as defined in the Operating Agreement.

"FAIR VALUE PER UNIT" shall mean, as of any date of determination, the fair value of each Unit (or, with respect to a warrant or option, the fair value of each Unit obtainable upon exercise thereof net of the exercise price), determined as follows: At any time that the Fair Value Per Unit shall be required to be determined hereunder, the Board shall make a good faith determination (the "Board's Determination") of the fair value of each Unit

within 30 days of the delivery by the Company of a Repurchase Notice (without taking into account that the Units may be "restricted securities" but with a reasonable discount (not to exceed 20%) for the minority position represented by the Units and shall provide to the Member with respect to whose Unit such determination is being made a written notice thereof which notice shall set forth supporting data in respect of such calculation (the "Determination Notice"). The Member shall have 10 days following receipt of the Determination Notice within which to deliver to the Company a written notice (the "Objection Notice") of an objection, if any, to the Board's Determination, which Objection Notice shall set forth the Member's good faith determination (the "Member's

Determination") of the fair value of each Unit. The failure by the Member to deliver the Objection Notice within such 10-day period shall constitute the Member's acceptance of the Board's Determination as conclusive. In the event of the timely delivery of an Objection Notice, the Company and the Member shall attempt in good faith to arrive at an agreement with respect to the Fair Value Per Unit, which agreement shall be set forth in writing within 15 days following delivery of the Objection Notice. If the Company and the Member are unable to reach an agreement within such 15-day period, the matter shall be promptly referred for determination to a regionally or nationally recognized investment banking or valuation firm (the "Valuer") reasonably acceptable to the Company and the Member. The Company and the Member will cooperate with each other in good faith to select such Valuer. The Valuer may select the Board's Determination or the Member's Determination as the Fair Value Per Unit or may select any other number or value (determined without taking into account that the Units may be "restricted securities" but with a reasonable discount, not to exceed 20% for the minority position represented by the Units). The Valuer's selection will be furnished to the Company and the Member in writing and conclusive and binding upon the Company and the Member. The fees and expenses of the Valuer shall be borne equally by the Company and the Member with respect to whose Units such determination relates; provided, however, that if the Fair Value Per Unit, as determined by the Valuer, shall be more than 15% greater than the Board's Determination of such Fair Value Per Unit, then such fees and expenses of the Valuer shall be borne entirely by the Company.

"GROUP" shall mean:

(a) in the case of any Member who is an individual, (i) such Member, (ii) the siblings, spouse, lineal descendants, adopted children, parents and grandparents of such Member, (iii) any trust for the benefit of any of the foregoing and (iv) any entity whose ownership and management is controlled by such Member;

(b) in the case of any Member which is a partnership, (i) such partnership and any of its limited or general partners, (ii) any corporation or other business organization to which such partnership shall sell all or substantially all of its assets or with which it shall be merged and (iii) any Affiliate of such partnership;

(c) in the case of any Member which is a corporation, (i) such

corporation and (ii) any controlling stockholder of such corporation; and

(d) in the case of any Member which is a limited liability company, (i) such limited liability company and any of its members, (ii) any corporation or other business organization to which such limited liability company shall sell all or substantially all of its assets or with which it shall be merged and (iii) any Affiliate of such limited liability company.

"MAJORITY IN INTEREST OF NON-CHASE MEMBERS" shall mean, at any point in time, Non-Chase Members owning, in the aggregate, more than 50% of the Member Units owned by all Non-Chase Members at such time.

"MANAGEMENT MEMBERS" shall mean the Persons listed under the caption "Management Members" on Annex I attached hereto and any successor to, or assignee or transferee of, any such Management Member who shall agree in writing to be treated as a Management Member and to be bound by the terms and to comply with the provisions of this

Agreement, including any member of the Group of such Management Members who shall agree in writing to be treated as a Management Members and to be bound by the terms of and to comply with the provisions of this Agreement.

"MEMBER UNITS" means any Units held, from time to time, by any Member and any Units issued upon exercise of options or warrants for Units.

"MEMBERS" shall mean Chase, the Management Members and the Non-Chase Members.

"NON-CHASE MEMBERS" shall mean all Members listed on Annex I hereto (as amended from time to time) as Non-Chase Members.

"OPERATING AGREEMENT" means the Amended and Restated Operating Agreement of the Company, dated the date hereof, as amended from time to time.

"OTHER UNITS" shall mean at any time those Units that do not constitute Primary Units or Registrable Units.

"PAID PREFERRED UNITS" shall have the meaning ascribed to such term in the Operating Agreement.

"PERSON" shall be construed broadly and shall include an individual, a partnership, a corporation, an association, a joint stock company, a limited liability company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"PRIMARY UNITS" shall mean at any time the authorized but unissued

Units.

"PREFERRED UNIT" shall mean one Preferred Unit as defined in the Operating Agreement.

"PROPORTIONATE PERCENTAGE" shall mean (1) for the purposes of Section 2, the pro rata percentage of the number of Member Units to which a Section 2 Offer relates that each Non-Chase Member shall be entitled to Transfer to the Section 2 Offeror, which pro rata percentage, as to each Non-Chase Member, shall be the percentage figure which expresses the ratio between the number of Member Units owned by such Non-Chase Member (assuming the conversion of all convertible securities and the exercise of all exercisable securities to the extent then convertible or exercisable) and the aggregate number of Units then outstanding and held by all Members (assuming the conversion of all convertible securities and the exercise of all exercisable securities to the extent then convertible or exercisable) and (2) for the purposes of Section 5, the percentage figure which expresses the ratio between the number of Member Units owned by the Member exercising its rights under Section 5 (assuming the conversion of all convertible securities and the exercise of all exercisable securities to the extent then convertible or exercisable) and the aggregate number of Units then outstanding and held by all Members (assuming the conversion of all convertible securities and the exercise of all exercisable securities to the extent then convertible or exercisable).

"PUBLIC OFFERING" shall mean an offering of equity securities of the Company or any Subsidiary (or any successor-in-interest of the foregoing) which is made pursuant to an effective registration statement under the Securities Act.

"QUALIFIED PUBLIC OFFERING" shall mean a Public Offering which results in at least $20,000,000 of net proceeds (after the effect of underwriting discounts and commissions) to the Company (or in the case of a Qualified Public Offering of a Subsidiary, to such Subsidiary).

"REGISTRABLE UNITS" shall mean the Units held by the Members that constitute Restricted Units.

"RELATIVELY EQUIVALENT TERMS", as of any date of determination, with respect to any Common Unit proposed to be sold, the Relatively Equivalent Terms for a Preferred Unit shall be the amount proposed to be paid for such Common Unit plus an amount, if any, equal to the Preferred Liquidation Preference (as such term is defined in the Operating Agreement) of such Preferred Unit.

"RESTRICTED UNITS" shall mean all Units and any other securities which by their terms are exercisable or exchangeable for or convertible into Units and any securities received in respect thereof, which are held by a Member

and which have not theretofore been sold to the public pursuant to an effective registration statement under the Securities Act or pursuant to Rule 144 promulgated under the Securities Act or any successor rule thereto or any complementary rule thereto (such as Rule 144A).

"SALE OF THE COMPANY" shall mean a sale of the Company (or any Subsidiary) or substantially all of its (or their) assets, whether by way of merger, consolidation, sale of Units or assets, or otherwise.

"SECURITIES ACT" shall mean the Securities Act of 1933 or any successor Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect from time to time.

"SUBSIDIARY" means any Person of which the securities or other ownership interests having at least 50% of the ordinary voting power in electing the board of directors (or other governing body), at the time as of which any determination is being made, are owned by the Company either directly or through one or more of its Subsidiaries.

"TERMINATION OF EMPLOYMENT" shall mean, as to any Management Member, the termination of the employment by the Company or any of its Subsidiaries of such Management Member for any reason whatsoever including, but not limited to, termination by resignation, discharge (with or without cause), retirement, disability or non-renewal of an employment agreement.

"TERMINATION DATE" shall mean, as to such Management Member, the effective date of the Termination of Employment of such Management Member.

"TERMINATION FOR CAUSE" shall have the meaning, in the case of any Management Member, set forth in the employment agreement, if any, of such Management

Member, or in the absence of such an employment agreement, shall mean a Termination of Employment for Cause (as defined herein).

"TERMINATION OF EMPLOYMENT FOR CAUSE" shall mean the Management Member's (A) failure to perform such duties as are reasonably requested by the Board as documented in writing to the Management Member, (B) willful disregard of his duties or failure to act, where such action would be in the ordinary course of the Management Member's duties, (C) failure to observe all material Company policies and material policies of all Affiliates of the Company generally applicable to executives of the Company and/or its Affiliates, (D) gross negligence or willful misconduct in the performance of his duties, (E) commission of an act constituting a felony or involving fraud, theft or dishonesty which is not a felony and which materially adversely affects the Company and/or its Affiliates or could reasonably be expected to materially adversely affect the Company or its Affiliates, as applicable, (F) repeated

failure to be reasonably available to perform his duties, which, if curable, shall not have been cured within 10 business days of written notice thereof from the Company or its Affiliates, as applicable, (G) repeated failure to follow the lawful directions of the Board, which, if curable, shall not have been cured within 10 business days of written notice thereof from the Company or its Affiliates, as applicable, (H) material breach of any agreement with the Company or its Affiliates (including the non-compete provisions thereof) which, if curable, shall not have been cured within 10 business days of written notice thereof from the Company or its Affiliates, as applicable, (I) resignation or (J) alcohol or other substance abuse.

"TRANSFER" shall mean, as to any Member Units, to sell, or in any other way transfer, assign, pledge, distribute, encumber or otherwise dispose of (including, without limitation, the foreclosure or other acquisition by any lender with respect to any Member Units pledged to such lender by a Member), such Member Units, either voluntarily or involuntarily and with or without consideration.

"UNDERWRITERS' MAXIMUM NUMBER" means, for any registration of Units under the Securities Act which is an underwritten offering of Units pursuant to an effective registration statement, that number of Units to which such registration should, in the opinion of the managing underwriters of such registration in the light of marketing and other relevant factors (including pricing), be limited.

"UNITS" has the meaning set forth in the Operating Agreement and shall also include any equity security of the Company or any successor thereto, issued in respect of or in exchange for Units, whether by way of dividend or other distribution, split, recapitalization, merger, rollup transaction, consolidation or reorganization.

SECTION 2. RIGHT OF CO-SALE.

(a) In the event that, prior to a Qualified Public Offering, Chase (hereinafter, the "Section 2 Offeree") receives a bona fide offer (the "Section 2 Offer") from a third party which is not an Affiliate of Chase (the "Section 2 Offeror") to purchase Common Units from the Section 2 Offeree, for a specified price payable in cash or otherwise and on specified terms and conditions that the Section 2 Offeree intends to accept, the Section 2 Offeree shall promptly forward a notice (the "Section 2 Notice") complying with Section 2(b) to the Company and each Non-Chase Member. The Section 2 Offeree shall not Transfer any Common Units to the Section 2

Offeror prior to the expiration of the 15-day period referred to below and unless the terms of the Section 2 Offer are extended to the Non-Chase Members with respect to their Proportionate Percentages of the aggregate number of Units to which the Section 2 Offer relates, whereupon each Non-Chase Member shall be

entitled to Transfer to the Section 2 Offeror pursuant to the Section 2 Offer such Non-Chase Member's Proportionate Percentage of the aggregate number of Units to which the Section 2 Offer relates. Each Non-Chase Member shall have a period of 15 days after receipt of the Section 2 Notice to deliver a written notice (the "Section 2 Acceptance") to the Section 2 Offeree evidencing such Non-Chase Member's acceptance of the Section 2 Offer and setting forth the number and type (e.g., Preferred Unit, Paid Preferred Unit or Common Unit) of Member Units such Non-Chase Member desires to include. If an Acceptance Notice is not received from a Non-Chase Member within such 15 day period, then such Non-Chase Member shall be deemed to have declined such Section 2 Offer.

(b) The Section 2 Notice shall set forth (i) the number of Common Units to which the Section 2 Offer relates and the name of the Section 2 Offeree, (ii) the name and address of the Section 2 Offeror, (iii) the proposed amount and type of consideration (including, if the consideration consists in whole or in part of non-cash consideration, such information available to the Section 2 Offeree as may be reasonably necessary for the Non-Chase Members to properly analyze the economic value and investment risk of such non-cash consideration) and the terms and conditions of payment offered by the Section 2 Offeror and (iv) that the Section 2 Offeror has been informed of the co-sale rights provided for in this Section 2 and has agreed to purchase Member Units in accordance with the terms of this Section 2 (which agreement may contain the Section 2 Offeror's obligation to purchase all of the Common Units subject to the Section 2 Offer from the Section 2 Offeree so long as such Section 2 Offeree agrees to purchase simultaneously with such sale from any Non-Chase Member delivering a Section 2 Acceptance the Member Units subject to such Section 2 Acceptance).

(c) Any Member Units included in any Section 2 Acceptance that are Common Units shall be transferred upon the terms and conditions set forth in the Section 2 Notice. Any Member Units included in any Section 2 Acceptance that are Preferred Units shall be transferred upon the same conditions and upon Relatively Equivalent Terms as those set forth in the Section 2 Notice. If none of the Non-Chase Members gives the Section 2 Offeree a timely Section 2 Acceptance with respect to the Transfer proposed in the Section 2 Notice, the Section 2 Offeree may Transfer the Common Units specified in the Section 2 Notice for a period of 90 days after expiration of the time period during which the Non-Chase Members may exercise their rights under this Section 2, on the terms and conditions set forth in the Section 2 Notice. If one or more Non-Chase Members give the Section 2 Offeree a timely Section 2 Acceptance, then the Section 2 Offeree shall use all reasonable efforts to cause the prospective transferees to agree to acquire all of the Member Units that are identified in the Section 2 Acceptances that have been timely given to the Section 2 Offeree, upon the same purchase price and other terms and conditions (or, if applicable, upon the same conditions and upon Relatively Equivalent Terms) as set forth in the Section 2 Notice.

(d) If the prospective transferees specified in the Section 2 Notice are unwilling or unable to acquire all of the Member Units that are identified in the Section 2 Acceptances that have been timely given, the Section 2 Offeree may then elect either to (A) cancel the proposed Transfer or (B)

allocate to itself and to each Non-Chase Member which or who has given a timely Section 2 Acceptance such Member's Proportionate Percentage of the aggregate number

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of Member Units that the prospective transferees are willing to purchase taking into account the types of Member Units held by each Member.

(e) Notwithstanding the provisions of this Section 2, during the term of this Agreement Chase may Transfer up to an aggregate of 20% of the total number of Common Units owned by Chase on the date hereof appropriately adjusted for any Unit split or dividend or other recapitalization without complying with the provisions of this Section 2.

(f) Sales under this Section 2 shall be subject to any applicable transfer restrictions under the Operating Agreement.

SECTION 3. REQUIRED SALE; ROLLUP.

(a) In the event that, prior to a Qualified Public Offering, Chase approves a Sale of the Company to a Person which is not an Affiliate of Chase (an "Approved Sale"), all Non-Chase Members and Management Members shall consent to and raise no objections against the Approved Sale, and if the Approved Sale is structured as (i) a merger or consolidation of the Company, or a sale of all or substantially all of the Company's assets, each Non-Chase Member and Management Member shall, and hereby agree to, waive any dissenters rights, appraisal rights or similar rights in connection with such merger, consolidation or asset sale, or (ii) a sale of Units, the Non-Chase Members and Management Members shall, and hereby agree to, agree to sell their Member Units on the terms and conditions approved by Chase and in each such instance shall, and hereby agree to, waive any claims any Non-Chase Member or Management Member may have against the Board in connection with the Approved Sale. The Non-Chase Members and Management Members shall take all necessary and desirable actions approved by Chase, in connection with the consummation of the Approved Sale, including the execution of such agreements and such instruments and other actions reasonably necessary to (1) provide the representations, warranties, indemnities, covenants, conditions, escrow agreements and other provisions and agreements relating to such Approved Sale and (2) effectuate the allocation and distribution of the aggregate consideration upon the Approved Sale as set forth below.

(b) The obligations of the Non-Chase Members pursuant to this Section 3 are subject to the satisfaction of the following conditions:

(i) subject to Section 3(b)(iii), upon the consummation of the Approved Sale (or as promptly thereafter as practical in the case of certain options to purchase Units pursuant to outstanding Tier II IRR Vesting Option Agreements and Tier III IRR Vesting Option Agreements, in

each case between the Company and the optionees named therein), all of the Members shall receive the same proportion of the aggregate consideration from such Approved Sale that such holder would have received if such aggregate consideration had been distributed by the Company in complete liquidation pursuant to the rights and preferences set forth in the Operating Agreement as in effect immediately prior to such Approved Sale (giving effect to applicable orders of priority and the exercise price of all warrants and options);

(ii) if any Members are given an option as to the form and amount of consideration to be received, all Members will be given the same option; provided, however, that holders of the Preferred Units (other than Paid Preferred Units) shall not be

required to accept any consideration that does not consist solely of cash or marketable securities;

(iii) all holders of then-currently exercisable Unit equivalents (including, without limitation, options and warrants exercisable for Units) will be given an opportunity to either (A) exercise such rights prior to the consummation of the Approved Sale (but only to the extent such Unit equivalents are then vested or will become vested as a result of the Approved Sale) and participate in such sale as Members or (B) upon the consummation of the Approved Sale, receive in exchange for such Unit equivalents (to the extent such Unit equivalents are then vested) consideration equal to the amount determined by multiplying (x) the same amount of consideration per Unit (of the same class as that for which the Unit equivalent is exercisable) received by the holders of such class of Unit in connection with the Approved Sale less the exercise price per Unit equivalent by (y) the number of Unit equivalents (but only to the extent such Unit equivalents are then vested);

(iv) no Member shall be obligated to make any out-of-pocket expenditure prior to the consummation of the Approved Sale and no Member shall be obligated to pay more than his pro rata share (based upon the number of Units held by each such Member) of reasonable expenses incurred in connection with a consummated Approved Sale to the extent such costs are incurred for the benefit of all Members and are not otherwise paid by the Company or the acquiring party (costs incurred by or on behalf of a Member for its or his sole benefit will not be considered costs of the transaction hereunder), provided that a Member's liability for such expenses shall be capped at the total purchase price received by such Member for his Member Units (including the exercise price thereof, in the case of options and warrants); provided that in calculating total purchase price under this Section 3(b)(iv) the amount of any Preferred Liquidation Preference (as defined in the Operating Agreement) for such

Member's Preferred Units shall be deducted from the total purchase price received by such Member (but such deduction shall not cause such total purchase price to be less than $0);

(v) in the event that the Members are required to provide any representations or indemnities in connection with the Approved Sale (other than representations and indemnities, on a several basis, concerning each Member's valid ownership of his Member Units, free of all liens and encumbrances (other than those arising under applicable securities laws), and each Member's authority, power, and right to enter into and consummate such purchase or merger agreement without violating any other agreement and without needing any third party consent), then each Member shall not be liable for more than his pro rata share (based upon the amount of consideration received) of any liability for misrepresentation or indemnity and such liability shall not exceed the total purchase price received by such Member for his Member Units (including the exercise price thereof, in the case of options and warrants); provided that in calculating total purchase price under this Section 3(b)(v) the amount of any Preferred Liquidation Preference (as defined in the Operating Agreement) for such Member's Preferred Units shall be deducted from the total purchase price received by such Member (but such deduction shall not cause such total purchase price to be less than $0); and

(vi) prior notice of an Approved Sale shall be provided to the Members.

(c) In the event that the Board shall determine that (i) it shall facilitate a public offering of securities of the Company, (ii) it shall facilitate compliance with this Agreement, or (iii) it is desirable or helpful for the business of the Company, or in the best interests of the Company, for the business of the Company to be conducted in a corporate rather than in a limited liability company form, the Board shall have the power, without any vote or consent of the holders of Units, to incorporate the Company or take such other action as it may deem advisable in light of such changed conditions, including, without limitation, (A) dissolving the Company, creating one or more Subsidiaries of the newly formed corporation and transferring to such Subsidiaries any or all of the assets of the Company or (B) causing the Members to exchange their Units for shares of the newly formed corporation (which the Company shall endeavor to effect in a manner that will not cause a taxable event to the Members). In connection with any such incorporation of the Company, the Members shall receive, in exchange for their respective Units, shares of capital stock of such corporation or its subsidiaries having the same relative economic interest and other rights and obligations in such corporation or its subsidiaries as is set forth in this Agreement and the Operating Agreement, subject to any modifications (as determined by the Board in its sole discretion) required solely as a result of the conversion to corporation form. At the time

of such conversion, the Members shall, and hereby agree to, enter into a shareholders agreement providing for (i) the restrictions on transfer set forth in this Agreement; provided that such restrictions shall not apply to sales in broadly disseminated public offerings or sales in accordance with Rule 144 under the Securities Act and (ii) an agreement to vote all shares of capital stock held by them to elect to the Board of Directors of the new corporation in accordance with Section 8. Prior to taking any action to incorporate the Company, the Board shall approve the proposed forms of a certificate of incorporation, by-laws, stockholders' agreement and any other governing documents proposed to be established for such corporation and its Subsidiaries, if any.

SECTION 4. REPURCHASE OF UNITS.

(a) In the event of a Termination of Employment of any Management Member (a "Terminated Member"), the Company or its designee shall have the right (but not the obligation) to repurchase from such Management Member (and each member of the Group of such Management Member) all or any part of any Units owned by such Management Member and member of such Group, including warrants and options not then expired.

(b) The repurchase right of the Company or its designee under this Section 4 may be exercised by written notice on one occasion (a "Repurchase Notice"), specifying the number of Units to be repurchased, and given to the Terminated Member within 90 days of the Termination Date (or, if the Company shall not have assigned its rights under this Section 4 and shall be legally prevented (whether by contract or statutorily) from making such repurchase during the foregoing 90-day period, then such Repurchase Notice may be delivered by the Company within 45 days after the date on which it shall be legally permitted to make such repurchase), but in no event shall the Company be permitted to make such election after the second anniversary of the Termination Date. Upon the delivery of a Repurchase Notice to the Terminated Member, the Terminated Member and each member of such Terminated Member's Group shall be obligated to sell or cause to be sold to the Company or its designee the Units specified in such Repurchase Notice.

(c) The price per Unit to be paid under this Section 4 and the form of payment therefor shall be determined as follows:

(i) in the case of a repurchase of Units following a Termination for Cause, the repurchase price to be paid for such Units or warrants or options to acquire Units shall be the cost paid for such Units, and such repurchase consideration shall be payable in cash; and

(ii) in the case of any other repurchase of Units or warrants or options to acquire Units, such repurchase price shall be the Fair Value Per Unit (net of any exercise price, in the case of options

and warrants) as of the Termination Date (or in the event that the Company shall elect to repurchase any Units on or after the first anniversary of the Termination Date because it shall have been legally prevented (whether by contract or statutorily) from making such repurchase at an earlier date, then the determination of Fair Value Per Unit shall be made as of such date on which the Company makes its repurchase election under this Section 4, which purchase price shall be paid in cash or, at the election of the Company, 50% in cash and 50% in the form of a subordinated promissory note that (1) matures ratably on a quarterly basis over a three-year period, (2) is subordinated in right of payment and exercise of remedies to all other funded indebtedness of the Company and (3) bears interest at the rate of 10% per annum.

(iii) Repurchases of Units under the terms of this Section 4 shall be made at the offices of the Company or its designee on a mutually satisfactory business day within 30 days after the final determination of the repurchase price as described above. Delivery of certificates or other instruments evidencing such Units duly endorsed for transfer and free and clear of all liens, claims and other encumbrances shall be made on such date against payment of the purchase price therefor.

SECTION 5. PREEMPTIVE RIGHT TO PURCHASE EQUITY SECURITIES; PURCHASE PRICE.

(a) Prior to issuing to Chase any Units or any options or convertible securities exercisable for or convertible into Units of the Company (collectively, "Equity Securities"), the Company will first give to the Non-Chase Members the right to purchase, on the same terms, conditions and timing as Chase, their Proportionate Percentage of the securities proposed to be sold by the Company. Any such right to purchase shall be exercisable for a period of 10 days after the Non-Chase Members receive written notice of a proposed issuance of Equity Securities. The obligations of the Company under this Section 5 shall terminate upon the consummation of a Qualified Public Offering.

(b) The price per Equity Security to be paid by Chase for any Equity Security issued to Chase by the Company shall be the fair value of such Equity Security as of the date of such issuance as determined in good faith by the Board.

SECTION 6. RIGHT OF FIRST REFUSAL.

A Non-Chase Member or Management Member shall not Transfer any Common Units other than in accordance with Section 2, 3 or 4 of this Agreement, except in accordance with the applicable procedures in this Section 6 and Article VII of the Operating Agreement and any other applicable provisions thereof.

(a) In the event a Non-Chase Member or Management Member receives an offer from a third Person to acquire any Common Units held by such Non-Chase Member or

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Management Member and such Member intends to accept such offer and effect such proposed Transfer to such third Person (and obtain any prior written consent which may be required pursuant to Section 7 hereof in order to effect such proposed Transfer), the Non-Chase Member or Management Member shall first deliver to the Company and Chase a written notice (the "Section 6 Offer Notice"), which shall be irrevocable for a period of 30 days after delivery thereof, offering (the "Section 6 Offer") all of the Common Units proposed to be Transferred by the Non-Chase Member or Management Member at the same purchase price and on the same terms specified in such offer from the third Person (such Section 6 Offer Notice shall include the foregoing information and all other relevant terms of the proposed Transfer). The Company shall have the right and option, for a period of 15 days after receipt of a Section 6 Offer Notice to purchase all or any portion of the Units so offered, and if the Company declines to accept any or all of such Common Units, Chase shall have the right and option, for a period of 15 days, to accept all or any remaining portion of the Common Units so offered at the purchase price and on the terms stated in the Section 6 Offer Notice. Such acceptance shall be made by delivering a written notice to the Company and all Members within said 15 or 30 day period (as applicable).

(b) A notice of acceptance delivered by the Company or Chase pursuant to Section 6 shall be a binding commitment to purchase the Common Units referred to therein.

(c) Transfers of Common Units under the terms of Section 6 shall be made at the offices of the Company on a mutually satisfactory business day within 30 days after the expiration of the last applicable period described in Section 6. Delivery of certificates or other instruments evidencing such Common Units duly endorsed for Transfer shall be made on such date against payment of the purchase price therefor.

(d) If effective acceptance shall not be received pursuant to Section 6 with respect to all Common Units offered for sale pursuant to the Section 6 Offer Notice, then the Non-Chase Members or Management Members may Transfer all or any part of the Common Units so offered and not so accepted at a price not less than the price, and on terms not more favorable to the purchaser thereof than upon the terms, stated in the Section 6 Offer Notice at any time within 30 days after the expiration of the offers required by Section 6. In the event that the Common Units are not Transferred by the Non-Chase Members or Management Members during such 30-day period, the right of the Non-Chase Members or Management Members to Transfer such Common Units shall expire and the obligations of this Section 6 shall be reinstated.

(e) Anything contained herein to the contrary notwithstanding, any purchaser of Common Units pursuant to Section 6 who is not a Member shall, as a condition to the effectiveness of such purchase, agree to become a party to, and

be bound by and obligated to comply with the terms and provisions of, this Agreement. Such purchaser shall also agree, if requested by the Company, to be a party to a confidentiality agreement which is reasonable and customary for an investment of the type being made by such purchaser in the Company.

(f) The obligations of the Non-Chase Members or Management Members under this Section 6 shall terminate upon the consummation of a Qualified Public Offering.

SECTION 7. TRANSFER RESTRICTIONS.

All provisions with respect to transferability of the Units are set forth in the Operating Agreement.

SECTION 8. VOTING; BOARD OF MANAGERS.

(a) Any time at which holders of Units shall have the right to, or shall, vote for managers of the Company, then, and in each event, the Members shall vote all Units owned by them for the election of a Board consisting of nine (9) managers (subject, however, to Section 3.4(c) of the Operating Agreement), as designated from time to time in the following manner:

(i) one Management Member nominated by the Management Members holding greater than 50% of all Member Units then held by all Management Members shall be elected to the Board; provided that (i) Leslie H. Cross shall be appointed to the Board as the initial nominee of the Management Members, and (ii) such nominee Management Member shall be a member of the Board for only so long as he is both an employee and a holder of Member Units;

(ii) six individuals nominated by Chase shall be elected to the Board (the "Chase Nominees"); such Chase Nominees shall initially be Charles T. Orsatti, Mitchell J. Blutt, M.D., Shahan D. Soghikian, Jonas L. Steinman, Damion E. Wicker, M.D., and John J. Daileader; and

(iii) two individuals with industry expertise shall be nominated by agreement among the other members of the Board and shall be elected to the Board.

(b) While any Preferred Unit has Unreturned Original Cost and during the continuance of an Event of Non-Compliance, the holders of Preferred Units (other than Paid Preferred Units), shall have the right to appoint two (2) additional managers to the Board in accordance with the provisions of the Bylaws of the Company. All terms used in this Section 8(b) not otherwise defined herein shall have the meanings ascribed to them in the Operating Agreement.

(c) Voting of the Board shall be conducted in accordance with the Bylaws of the Company, including, without limitation, the super-voting rights granted to one of the Chase Nominees in Section 2.12 of the Bylaws of the Company, which super-voting right allows such Chase Nominee to cast six votes on each matter on which the managers are entitled to vote; such super-voting manager shall initially be Charles T. Orsatti.

(d) The voting rights of this Section 8 shall not supersede, and shall be subject to, the restrictions and other limitations of First Union Investors, Inc.'s (including the successors and assigns of its Units) voting rights as set forth in Section 5.3 and 5.4 of the Operating Agreement.

SECTION 9. DEMAND REGISTRATION.

(a) Request for Demand Registration.

(i) Subject to the limitations contained in the following paragraphs of this Section 9, Chase may, at any time and from time to time, give to the Company, pursuant to this subparagraph (i), a written request for the registration by the Company under the Securities Act of all or any part of the Registrable Units owned by it (such registration being herein called a "Demand Registration"). Within ten (10) days after the receipt by

the Company of any such written request, the Company will give written notice of such registration request to all holders of Registrable Units.

(ii) Subject to the limitations contained in the following paragraphs of this Section 9, after the receipt of such written request for a Demand Registration, (A) the Company will be required to include in such Demand Registration all Registrable Units with respect to which the Company shall receive from holders of Registrable Units, within thirty (30) days after the date on which the Company shall have given to all holders a written notice of registration request pursuant to Section 9(a)(i) hereof, the written requests of such holders for inclusion in such Demand Registration, and (B) the Company will use its best efforts in good faith to effect promptly the registration of all such Registrable Units. All written requests made by Holders of Registrable Units pursuant to this subparagraph (ii) will specify the number of Registrable Units to be registered and will specify the intended method of disposition thereof.

(b) Limitations on Demand Registration.

(i) Chase will not be entitled to require the Company to effect more than three (3) Demand Registrations on Form S-1 (or other comparable form adopted by the Commission). Chase will not be entitled to

require the Company to effect (A) any Demand Registration on Form S-1 (or other comparable form adopted by the Commission) unless Form S-3 (or any comparable form adopted by the Commission) is not available for such Demand Registration, or (B) any Demand Registration if the aggregate number of Registrable Units requested to be registered pursuant to such Demand Registration is less than five percent (5%) of the number of Units then outstanding (on a fully-diluted basis).

(ii) Any registration initiated by Chase pursuant to Section 9(a) hereof shall not count as a Demand Registration for purposes of Section 9(b)(i) hereof (A) unless and until such registration shall have become effective and all of such Units requested by Chase or all of such lesser number of Units as consented to by Chase to be included in such registration shall have been actually sold.

(c) Priority on Demand Registration. If the managing underwriters in any underwritten offering pursuant to a Demand Registration shall give written advice to the Company and Chase of an Underwriters' Maximum Number, then: (i) the Company will be obligated and required to include in such registration that number of such Registrable Units requested by Chase to be included in such registration which does not exceed the Underwriters' Maximum Number; (ii) if the Underwriters' Maximum Number exceeds the number of Registrable Units requested by Chase to be included in such registration, then the Company will be obligated and required to include in such registration that number of other holders' Registrable Units requested by the holders thereof pursuant to Section 9(a)(ii) to be included in such registration and which does not exceed such excess and such Registrable Units shall be allocated pro rata among the holders thereof on the basis of the number of Registrable Units requested to be included therein by each such holder, and (iii) if the Underwriters' Maximum Number exceeds the number of Registrable Units requested by Chase and such other holders of Registrable Units to be included in such registration, then the Company may include Primary Units and, if (or to the extent that) it does not do so, the Company will be required to include in such registration that number of Other Units requested by the holders thereof to be included in such registration

and which does not exceed such excess and such Other Units shall be allocated pro rata among the holders thereof on the basis of the number of Other Units requested to be included therein by each such holder. Neither the Company nor any of its Members (other than Chase) shall be entitled to include any securities in any underwritten Demand Registration unless the Company or such Members (as the case may be) shall have agreed in writing to sell such securities on the same terms and conditions as shall apply to the Registrable Units held by Chase to be included in such Demand Registration.

(d) Selection of Underwriters. Chase shall determine whether or

not the offering pursuant to such Demand Registration shall be underwritten. Chase shall select the investment banker(s) and managing underwriter(s) to administer such offering in a Demand Registration; provided that the selected underwriters must be reasonably acceptable to the Company.

SECTION 10. REGISTRATIONS ON FORM S-3.

(a) Subject to paragraph (c) below, at and after such time as the Company shall have qualified for the use of Form S-3 promulgated under the Securities Act or any successor form thereto, any holder or holders of Preferred Units shall have the right to request in writing registration on Form S-3, or such successor form, and to effect a registration under the Securities Act of Registrable Units in accordance with this Section 10.

(b) If the Company shall be requested by such Members to effect a registration under the Securities Act of Registrable Units in accordance with this Section 10, then the Company shall promptly give written notice of such proposed registration to all other holders of Registrable Units and shall offer to include in such proposed registration any Registrable Units requested to be included in such proposed registration by such other holders who respond in writing to the Company's notice within 30 days after delivery of such notice (which response shall specify the number of Registrable Units proposed to be included in such registration). The Company shall promptly use its commercially reasonable efforts to effect such registration on Form S-3 of the Registrable Units which the Company has been so requested to register.

(c) The Company shall not be obligated to effect any registration under the Securities Act requested by the Members under this Section 10 except in accordance with the following provisions:

(i) the Company shall not be obligated to effect any such registration initiated pursuant to Section 10(a) if (A) the Company shall reasonably conclude that the anticipated gross offering price of all Registrable Units to be included therein would be less than $500,000, (B) such registration is requested within six (6) months after a registered offering of the Company in which any of the holders of Preferred Units were given the opportunity to participate or (C) the Company shall have effected two or more Registration Statements on Form S-3 pursuant to this Section 10 during the preceding 12-month period; and

(ii) the Company may delay the filing or effectiveness of any Registration Statement pursuant to this Section for a period not to exceed 90 days after the date of a request for registration if the Company's Board has determined that such registration would have a material adverse effect upon the Company or its then current business

plans; provided, however, that the Company may cause such delay only once

during any 360-day period.

SECTION 11. PIGGYBACK REGISTRATION.

Other than with respect to a registration pursuant to Section 9 hereof, if the Company at any time proposes for any reason to register Primary Units, Registrable Units or Other Units under the Securities Act (other than on Form S-4 or Form S-8 promulgated under the Securities Act or any successor forms thereto), it shall promptly give written notice to all holders of outstanding Registrable Units of its intention so to register the Primary Units, Registrable Units or Other Units and, upon the written request, given within 30 days after delivery of any such notice by the Company, of the holders of Registrable Units (other than the holders of Registrable Units to be included in such offering) to include in such registration Registrable Units held by such holders (which request shall specify the number of Registrable Units proposed to be included in such registration), the Company shall use its best efforts to cause all such Registrable Units to be included in such registration on the same terms and conditions as the securities otherwise being sold in such registration; provided, however, that if the managing underwriter advises the Company that the inclusion of all such Registrable Units or Other Units proposed to be included in such registration would interfere with the successful marketing (including pricing) of Primary Units or Registrable Units initially included such proposed registration by the Company, then the number of Primary Units, Registrable Units and Other Units proposed to be included in such registration shall be included in the following order:

(A) first, the Primary Units;

(B) second, any Registrable Units requested to be included in such proposed registration at the request of the holders under Section 10 hereof;

(C) third, any other Registrable Units requested to be included in such registration by the holders of such Registrable Units, pro rata based upon the number of such Registrable Units requested to be included therein by each such holder; and

(D) fourth, any Other Units requested to be included in such registration by the holders of Other Units, pro rata based upon the number of Other Units requested to be included therein by each such holder.

SECTION 12. EXPENSES.

All expenses incurred by the Company in complying with Section 9, 10 or 11, including, without limitation, all registration and filing fees, fees and expenses of complying with securities and blue sky laws, printing expenses, fees and expenses of the Company's counsel and accountants and fees and expenses of the one counsel to the Members, shall be paid by the Company; provided, however, that all underwriting discounts and selling commissions applicable to the Registrable Units or Other Units shall not be borne by the Company but shall

be borne by the holders of Registrable Units or Other Units sold by each of them.

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SECTION 13. INDEMNIFICATION.

In connection with any registration of any Registrable Units under the Securities Act pursuant to Section 9, 10 or 11, the Company shall indemnify and hold harmless the holders of Registrable Units, each underwriter, broker or any other person acting on behalf of the holders of Registrable Units and each other person, if any, who controls any of the foregoing persons within the meaning of the Securities Act against any losses, claims, damages or liabilities, joint or several (or actions in respect thereof), to which any of the foregoing persons may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the registration statement under which such Registrable Units were registered under the Securities Act, any preliminary prospectus or final prospectus contained therein or otherwise filed with the Commission, any amendment or supplement thereto or any document incident to registration or qualification of any Registrable Units, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or, with respect to any prospectus, necessary to make the statements therein in light of the circumstances under which they were made not misleading, or any violation by the Company of the Securities Act or state securities or blue sky laws applicable to the Company and relating to action or inaction required of the Company in connection with such registration or qualification under such state securities or blue sky laws; and shall reimburse the holders of Registrable Units, such underwriter, such broker or such other person acting on behalf of the holders of Registrable Units and each such controlling person for any legal or other expenses reasonably incurred by any of them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in said registration statement, preliminary prospectus, final prospectus, amendment, supplement or document incident to registration or qualification of any Registrable Units in reliance upon and in conformity with written information furnished to the Company through an instrument duly executed by the holders of Registrable Units or underwriter specifically for use in the preparation thereof.

In connection with any registration of Registrable Units under the Securities Act pursuant to this Agreement, each holder of Registrable Units shall indemnify and hold harmless (in the same manner and to the same extent as set forth in the preceding paragraph of this Section 10) the Company, each director (within the meaning of the Securities Act) of the Company, each officer

of the Company who shall sign such registration statement, each underwriter, broker or other person acting on behalf of the holders of Registrable Units and each person who controls any of the foregoing persons within the meaning of the Securities Act with respect to any statement or omission from such registration statement, any preliminary prospectus or final prospectus contained therein or otherwise filed with the Commission, any amendment or supplement thereto or any document incident to registration or qualification of any Registrable Units, if such statement or omission was made in reliance upon and in conformity with written information furnished to the Company or such underwriter through an instrument duly executed by such holder of Registrable Units specifically for use in connection with the preparation of such registration statement, preliminary prospectus, final prospectus, amendment, supplement or document pursuant to which such holder of Registrable Units shall sell Registrable Units;

provided, however, that the maximum amount of liability in respect of such indemnification shall be limited, in the case of each seller of Registrable Units, to an amount equal to the net proceeds actually received by such seller from the sale of Registrable Units effected pursuant to such registration.

Promptly after receipt by an indemnified party of notice of the commencement of any action involving a claim referred to in the preceding paragraphs of this Section 13, such indemnified party will, if a claim in respect thereof is made against an indemnifying party, give written notice to the latter of the commencement of such action. In case any such action is brought against an indemnified party, the indemnifying party will be entitled to participate in and to assume the defense thereof, jointly with any other indemnifying party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be responsible for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof; provided, however, that if any indemnified party shall have reasonably concluded that there may be one or more legal or equitable defenses available to such indemnified party which are additional to or conflict with those available to the indemnifying party, or that such claim or litigation involves or could have an effect upon matters beyond the scope of the indemnity agreement provided in this Section 12 the indemnifying party shall not have the right to assume the defense of such action on behalf of such indemnified party and such indemnifying party shall reimburse such indemnified party and any person controlling such indemnified party for that portion of the fees and expenses of any counsel retained by the indemnified party which is reasonably related to the matters covered by the indemnity agreement provided in this Section 13.

If the indemnification provided for in this Section 13 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, claim, damage, liability or action referred to herein, then

the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amounts paid or payable by such indemnified party as a result of such loss, claim, damage, liability or action in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions which resulted in such loss, claim, damage, liability or action as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

SECTION 14. UNDERWRITING AGREEMENT.

Notwithstanding the provisions of Sections 9, 10, 11, 12 and 13 to the extent that the holders of Registrable Units shall enter into an underwriting or similar agreement, which agreement contains provisions covering one or more issues addressed in such Sections, the provisions contained in such Sections addressing such issue or issues shall be of no force or effect with respect to such registration.

SECTION 15. INFORMATION BY HOLDER.

Each holder of Registrable Units proposing to sell the same pursuant to a registration to which this Agreement relates shall furnish to the Company such written information regarding itself and the distribution of Registrable Units proposed by such holder, as the Company may reasonably request in writing, and as shall be reasonably required in connection with any registration, qualification or compliance referred to in this Agreement.

SECTION 16. LEGEND ON UNIT CERTIFICATES.

Each certificate representing Units shall bear the following legends:

> "THE VOTING OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IN RESPECT OF MANAGERS AND TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND CONDITIONS OF A MEMBERS' AGREEMENT AND AN OPERATING AGREEMENT, EACH DATED AS OF JUNE 30, 1999, AS AMENDED FROM TIME TO TIME, AMONG THE ISSUER OF SUCH SECURITIES AND CERTAIN HOLDERS OF THE OUTSTANDING SECURITIES OF SUCH ISSUER. COPIES OF SUCH AGREEMENTS MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE SECRETARY OF SUCH ISSUER."

"THIS CERTIFICATE AND THE UNITS REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1993, AS AMENDED, OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED OR SOLD EXCEPT IN COMPLIANCE THEREWITH."

SECTION 17. ADDITIONAL UNITS; ETC.

In the event additional Units are issued by the Company to a Member at any time during the term of this Agreement, either directly or upon the exercise or exchange of securities of the Company exercisable for or exchangeable into Units, such additional Units shall, as a condition to such issuance, become subject to the terms and provisions of this Agreement.

SECTION 18. EFFECTIVENESS.

The rights and obligations of each Member under this Agreement shall terminate as to such Member upon the earlier to occur of (i) the Transfer of all Member Units owned by such Member, (ii) a sale of all or substantially all of the equity interests of the Company in a single transaction or (iii) the consummation of an Approved Sale.

SECTION 19. SEVERABILITY.

If any provision of this Agreement shall be determined to be illegal and unenforceable by any court of law, the remaining provisions shall be severable and enforceable in accordance with their terms.

SECTION 20. GOVERNING LAW.

This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware (without regard to principles of conflicts of laws).

SECTION 21. SUCCESSORS AND ASSIGNS.

This Agreement shall bind and inure to the benefit of the parties and their respective successors and assigns, transferees, legal representatives and heirs; provided, however, that the rights under this Agreement shall not be assignable by any Member, (i) except in connection with a Transfer pursuant to Section 2, 3 or 6, (ii) without the consent of Chase, or (iii) except for transfers permitted by the Operating Agreement.

SECTION 22. NOTICES.

All notices, requests, consents and other communications hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or by telecopy or sent by nationally-recognized

overnight courier or first class registered or certified mail, return receipt requested, postage prepaid, addressed to such party at the address set forth below or at such other address as may hereafter be designated in writing by such party to the other parties:

(a) if to the Company, to:

DonJoy, L.L.C.
2985 Scott Street
Vista, CA 92083
Telecopier: (760) 734-3536

with copies to:

O'Sullivan Graev & Karabell, LLP
30 Rockefeller Plaza, 24th Floor
New York, NY 10112
Attention: John J. Suydam, Esq.
Telecopier: (212) 728-5950;

(b) if to the Members, to their respective addresses set forth on Annex I hereto.

All such notices, requests, consents and other communications shall be deemed to have been delivered and received (i) in the case of personal delivery or delivery by telecopy, on the date of such delivery (assuming such date of delivery is a business day), (ii) in the case of dispatch by nationally-recognized overnight courier, on the next business day following such dispatch and (iii) in the case of mailing, on the third business day after the posting thereof.

SECTION 23. MODIFICATION.

Except as otherwise provided herein, neither this Agreement nor any provisions hereof can be modified, changed, discharged or terminated except by an instrument in writing signed by (i) the Company, (ii) Chase and (iii) a Majority in Interest of Non-Chase Members; provided, however, that no modification or amendment shall be effective to reduce the percentage of the Member Units the consent of the holders of which is required under this Section 22 nor shall any modification or amendment discriminate against any Member without the consent of such Member; provided further, that, any amendment or modification that would adversely affect the rights of any Member hereunder, in its capacity as a Member, without similarly affecting the rights hereunder of all Members of the same class, shall not be effective as to such Member without its prior written consent.

SECTION 24. HEADINGS.

The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

SECTION 25. ENTIRE AGREEMENT.

This Agreement and the other writings referred to herein or therein contain the entire agreement among the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings with respect thereto. In case of any conflict among this Agreement or any such writings, the terms of the Operating Agreement shall be dispositive.

SECTION 26. COUNTERPARTS.

This Agreement may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Members' Agreement on the date first above written.

DONJOY, L.L.C.

By: /s/ Leslie H. Cross

Name: Leslie H.Cross
Title: President and CEO

CHASE DJ PARTNERS, LLC

By: Fairfield Chase Medical Partners, LLC,
its Managing Member

By: /s/ Charles T. Orsatti

Name: Charles T. Orsatti
Title:Managing Member

SMITH & NEPHEW DISPOSAL, INC.

By: /s/ Clifford K. Lomax

Name: Clifford K. Lomax
Title:President

CB CAPITAL INVESTORS, L.P.

By: CB Capital Investors, Inc,
its General Partner

By: /s/ Damion Wicker

Name: Damion Wicker
Title:General Partner

/s/ Leslie H. Cross

Leslie H. Cross

/s/ Cyril Talbot III

Cyril Talbot III

/s/ Michael R. McBrayer

Michael R. McBrayer

FIRST UNION INVESTORS, INC.

By: /s/ Neal Morrison

Name: Neal Morrison
Title: Sr. Vice President

ANNEX I

Chase

Chase DJ Partners, LLC

Non-Chase Members

Smith & Nephew, Inc.
CB Capital Investors, L.P. (as holder of Preferred Units)
First Union Investors, Inc. (as holder of Preferred Units)

Management Members

Leslie H. Cross
Cyril Talbot III
Michael R. McBrayer

EXHIBIT 10.11

CONFORMED COPY

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CREDIT AGREEMENT

dated as of

June 30, 1999

among

DJ ORTHOPEDICS, LLC
as Borrower

DONJOY, L.L.C.,
as Parent

The Lenders Party Hereto,

FIRST UNION NATIONAL BANK,
as Administrative Agent and Collateral Agent

and

THE CHASE MANHATTAN BANK,
as Syndication Agent, Issuing Bank and Swingline Lender

CHASE SECURITIES INC.,
as Arranger and Book Manager

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SCHEDULES:

EXHIBITS:

CREDIT AGREEMENT dated as of June 30, 1999, among DJ ORTHOPEDICS, LLC (the "Borrower"), a Delaware limited liability company, DONJOY, L.L.C. ("Holdings"), a Delaware limited liability company, the Lenders party hereto, FIRST UNION NATIONAL BANK ("First Union"), as Administrative Agent (such term and each other capitalized term used but not defined herein having the meaning provided in Article I) and Collateral Agent, and THE CHASE MANHATTAN BANK, as Syndication Agent, Issuing Bank and Swingline Lender.

Pursuant to a Recapitalization Agreement (the "Recapitalization Agreement") dated as of April 29, 1999, among Chase DJ Partners, LLC ("Investor"), a Delaware limited liability company of which a majority indirect equity interest is owned by Chase Capital Partners ("Sponsor"), Holdings and Smith & Nephew, Inc., a Delaware corporation (the "Existing Shareholder"), (a) Investor will contribute, directly or indirectly, an aggregate amount of $64,550,000 in cash (the "Equity Contribution") to Holdings in exchange for the issuance to Investor of membership interests representing 645,500 common units in Holdings ("Common Units"), (b) certain members of the management of Holdings will contribute an aggregate amount of $1,850,000 in cash (the "Management Equity Contribution") to Holdings (of which $1,400,000 will be financed by loans from Holdings) in exchange for the issuance to such members of management of an aggregate of 18,500 Common Units, (c) the Existing Shareholder will continue to hold 54,000 Common Units (the "Roll-Over Equity"), (d) Affiliates of Sponsor and First Union will purchase in a private placement not less than $31,415,000 in aggregate principal amount of senior redeemable participating preferred units of Holdings (the "Preferred Units"), (e) the Borrower will obtain Loans hereunder, (f) the Borrower will issue not less than $100,000,000 in aggregate principal amount of its senior subordinated notes (the "Senior Subordinated Notes") in a public offering or in a Rule 144A or other private placement, (g) Holdings, the Existing Shareholder and its Affiliates will sell or otherwise transfer to the Borrower (the "Asset Transfer") substantially all the assets and liabilities of the bracing and support system business of the Existing Shareholder and its Affiliates (the "Business") for an aggregate cash amount equal to the sum of (i) the initial aggregate amount of the Lenders' Term Commitments of $15,500,000 and (ii) the net cash proceeds from the issuance of the Senior Subordinated Notes (with any excess in the fair market value of the Business over such purchase price being treated as a capital contribution by Holdings to the Borrower), (h) Holdings will pay to the Existing Shareholder $200,000,000 (the "Cash Payment") in connection with the redemption of the Common Units owned by the Existing Shareholder and (i) fees and expenses incurred in connection with the Transactions (as defined below) in an aggregate amount not to exceed $9,915,000 will be paid (the "Transactions Costs"). The transactions described in clauses (a) through (h) in this paragraph, including the recapitalization of Holdings on the

terms set forth in the Recapitalization Agreement (the "Recapitalization") and the Asset Transfer, are collectively referred to herein as the "Transactions".

The Borrower has requested (a) the Lenders to extend credit in the form of Term Loans to the Borrower on the Effective Date in an aggregate principal amount of $15,500,000, (b) the Lenders to extend credit in the form of Revolving Loans to the Borrower at any time and from time to time prior to the Revolving Maturity Date, in an aggregate principal amount at any time outstanding not in excess of the difference between $25,000,000 and the Revolving Exposure at such time, (c) the Issuing Bank to issue Letters of Credit at any time and from time to time prior to the Revolving Maturity Date,

in an aggregate stated amount at any time outstanding not in excess of the lesser of (i) $5,000,000 and (ii) the difference between $25,000,000 and the Revolving Exposure at such time and (d) the Swingline Lender to make Swingline Loans to the Borrower at any time and from time to time prior to the Revolving Maturity Date, in an aggregate principal amount at any time outstanding not in excess of the lesser of (i) $2,500,000 and (ii) the difference between $25,000,000 and the Revolving Exposure at such time.

The proceeds of the Term Facility will be used, together with the net proceeds of the issuance of the Senior Subordinated Notes, solely (a) to purchase the Business in the Asset Transfer and (b) to pay a portion of the Transaction Costs, and the proceeds paid to Holdings in connection with the Asset Transfer will be used, together with the proceeds from the Equity Contribution, the Management Equity Contribution and the issuance of the Preferred Units, solely (i) to make the Cash Payment and (ii) to pay the remaining portion of the Transaction Costs. The proceeds of loans under the Revolving Facility will be used by the Borrower for general corporate purposes, including financing in connection with Permitted Acquisitions. Letters of Credit and Swingline Loans will be used by the Borrower for general corporate purposes.

The Lenders and the Swingline Lender are willing to extend such credit to the Borrower and the Issuing Bank is willing to issue Letters of Credit for the account of the Borrower, in each case on the terms and subject to the conditions set forth herein. Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Act" means the Limited Liability Company Act of the State of Delaware, 6 Del. C. Section 18-01 et seq., as in effect and amended from time to time, or any successor statute.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means First Union National Bank in its capacity as Administrative Agent with respect to this Agreement and any successor appointed pursuant hereto.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agents" means the collective reference to the Administrative Agent, the Collateral Agent and the Syndication Agent.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate, respectively, without notice to the Borrower.

"Applicable Percentage" means, with respect to any Revolving Lender, the percentage of the total Revolving Commitments represented by such Lender's Revolving Commitment. If the Revolving Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Revolving Commitments most recently in effect, giving effect to any assignments.

"Applicable Rate" means, for any day with respect to any ABR Revolving Loan, Eurodollar Revolving Loan, ABR Term Loan, Eurodollar Term Loan, or with respect to the commitment fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "ABR Revolving Spread", "Eurodollar Revolving Spread", "ABR Term Spread", "Eurodollar Term Spread" or "Commitment

Fee Rate", as applicable, based upon the Leverage Ratio as of the relevant determination date, provided that until the delivery to the Administrative Agent pursuant to Section 5.01(a) of Holdings's consolidated financial statements for the fiscal year ending December 31, 1999, the "Applicable Rate" shall be the applicable rate per annum set forth below in Category 1:

<TABLE>
<CAPTION>

Leverage Ratio:	ABR Revolving Spread	Eurodollar Revolving Spread	ABR Term Spread	Eurodollar Term Spread	Commitment Fee Rate
<S>	<C>	<C>	<C>	<C>	<C>
Category 1					
Greater than or equal to 5.00 to 1.00	1.75%	2.75%	2.25%	3.25%	0.50%

Category 2					
Greater than or equal to 4.50 to 1.00 and less than 5.00 to 1.00	1.50%	2.50%	2.00%	3.00%	0.50%
Category 3					
Greater than or equal to 4.00 to 1.00 and less than 4.50 to 1.00	1.25%	2.25%	1.75%	2.75%	0.50%
Category 4					
Greater than or equal to 3.50 to 1.00 and less than 4.00 to 1.00	1.00%	2.00%	1.50%	2.50%	0.425%
Category 5					
Less than 3.50 to 1.00	0.75%	1.75%	1.25%	2.25%	0.425%

</TABLE>

For purposes of the foregoing, (a) the Leverage Ratio shall be determined as of the end of each fiscal quarter of Holdings's fiscal year based upon Holdings's consolidated financial statements delivered pursuant to Section 5.01(a) or (b) and (b) each change in the Applicable Rate resulting from a change in the Leverage Ratio shall be effective during the period commencing on and including the date of delivery to the Administrative Agent of such consolidated financial statements indicating such change and ending on the date immediately preceding the effective date of the next such change, provided that the Leverage Ratio shall be deemed to be in Category 1 (i) at any time that an Event of Default has occurred and is continuing or (ii) if the Borrower fails to deliver the consolidated financial statements required to be delivered by it pursuant to Section 5.01(a) or (b), during the period from the expiration of the time for delivery thereof until such consolidated financial statements are delivered.

"Assessment Rate" means, for any day, the annual assessment rate in effect on such day that is payable by a member of the Bank Insurance Fund classified as "well-capitalized" and within supervisory subgroup "B" (or a comparable successor risk classification) within the meaning of 12 C.F.R. Part 327 (or any successor provision) to the Federal Deposit Insurance Corporation

for insurance by such Corporation of time deposits made in dollars at the offices of such member in the United States of America, provided that if, as a result of any change in any law, rule or regulation, it is no longer possible to determine the Assessment Rate as aforesaid, then the Assessment Rate shall be such annual rate as shall be reasonably determined by the Administrative Agent to be representative of the cost of such insurance to the Lenders.

"Asset Transfer" has the meaning assigned to such term in the preamble of this Agreement.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"Base Capex Amount" has the meaning set forth in Section 6.12(a).

"Base CD Rate" means the sum of (a) the Three-Month Secondary CD Rate multiplied by the Statutory Reserve Rate plus (b) the Assessment Rate.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Board of Managers" means the Board of Managers of Holdings contemplated by, and as appointed in accordance, with the Members' Agreement and any other governing board or body of Holdings exercising rights or powers that under the Act may ordinarily be exercised by a limited liability company's "managers" or "members" (within the meaning of the Act).

"Borrower" has the meaning assigned to such term in the introductory paragraph of this Agreement.

"Borrower Operating Agreement" means collectively, the Operating Agreement of the Borrower dated as of June 30, 1999, and the By-laws of the Borrower, which are collectively the sole "limited liability company agreements" of the Borrower within the meaning of the Act.

"Borrowing" means (a) Loans of the same Class and Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect, or (b) a Swingline Loan.

"Borrowing Request" means a request by the Borrower for a Borrowing in accordance with Section 2.03.

"Business" has the meaning assigned to such term in the preamble of this Agreement.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City or Charlotte, North Carolina, are authorized or required by law to remain closed, provided that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Expenditures" means, for any period, without duplication, (a) the additions to property, plant and equipment and other capital expenditures of the Borrower and its consolidated Subsidiaries that are (or would be) set forth in a consolidated statement of cash flows of the Borrower for such period prepared in accordance with GAAP and (b) Capital Lease Obligations incurred by the Borrower and its consolidated Subsidiaries during such period, provided that the term "Capital Expenditures" shall not include, for purposes of Section 6.12, expenditures set forth in clauses (i) through (iii) below, and for purposes of the definition of the term "Excess Cash Flow", expenditures set forth in clauses (i) and (ii) below and non-cash expenditures set forth in clause (iii) below: (i) expenditures made in connection with the repair, replacement or restoration of assets (A) to the extent financed from insurance proceeds paid on account of the loss of or damage to the assets being repaired, replaced or restored or (B) with awards of compensation arising from the taking by eminent domain or condemnation of the assets being replaced, (ii) expenditures in connection with the reinvestment of Net Proceeds of any asset sale within 300 days after receipt thereof as contemplated by the definition of the term "Net Proceeds" and (iii) expenditures that constitute a Permitted Acquisition.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Cash Payment" has the meaning ascribed to such term in the preamble of this Agreement.

"CB Capital" means CB Capital Investors, L.P., a Delaware limited partnership and an Affiliate of Sponsor.

"CERCLA" means the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq.

"Change of Control" means an event or series of events by which

(a) prior to any initial public offering of Equity Interests in Holdings:

(i) Investor or an entity controlled by Sponsor or Investor ceases to be the "beneficial owner" (as defined in Rule 13d-3 and 13d-5 under the Securities Exchange Act), directly or indirectly, of at least 40% (or 33% if the reduction below 40% is attributable solely to dilution as a result of the issuance of stock in connection with a Permitted Acquisition) of the Equity Interests of Holdings ordinarily having the right to vote on any matters relating to the management of Holdings, including the election of its "managers" within the meaning of the Act;

(ii) Holdings ceases to be the "beneficial owner" (as defined in Rule 13d-3 and 13d-5 under the Securities Exchange Act), directly or indirectly, of 100% of the combined voting power of the Equity Interests

of the Borrower ordinarily having the right to vote on any matters relating to the management of Holdings, including the election of its "managers" within the meaning of the Act;

(iii) Investor or an entity controlled by Sponsor or Investor, together with members of management of Holdings and its subsidiaries, cease to be the "beneficial owner" (as defined in Rule 13d-3 and 13d-5 under the Securities Exchange Act), directly or indirectly, of at least 51% on a fully diluted basis of the Equity Interests of Holdings ordinarily having the right to vote on any matters relating to the management of Holdings, including the election of its "managers" within the meaning of the Act;

(iv) (A) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act but excluding Investor) becomes the "beneficial owner" (as defined in Rule 13d-3 and 13d-5 under the Securities Exchange Act, except that for purposes of this clause (iv), such Person or group shall be deemed to have "beneficial ownership" of all Equity Interests that it has the right to acquire whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of an equal percentage or greater percentage of the Equity Interests of Holdings than that percentage beneficially owned by Sponsor or an entity Controlled by Sponsor or (B) any "person" or

"group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act but in each case excluding Sponsor and its Affiliates) acquires the right, directly or indirectly, (I) to elect, appoint or nominate members of the Board of Managers with aggregate voting power greater than that held by the members of the Board of Managers nominated by CB Capital and the managing member of Investor, (II) to elect, appoint or nominate any managing member or "manager" within the meaning of the Act of, or otherwise to Control, Investor (provided that Chase Fairfield may serve as the initial managing member of Investor in accordance with the terms of its limited liability company agreement) or (III) to elect, appoint or nominate any general or managing partner of, or otherwise to Control, CB Capital;

(v) Continuing Managers shall not constitute the members of the Board of Managers with a majority of the voting power of the Board of Managers; or

(vi) there shall occur a Change of Control (as defined in the Senior Subordinated Notes Indenture) or a Change of Control (as defined in the Holdings Operating Agreement); and

(b) after any initial public offering of Equity Interests in Holdings:

(i) Investor or an entity controlled by Sponsor or Investor ceases to be the "beneficial owner" (as defined in Rule 13d-3 and 13d-5 under the Securities Exchange Act), directly or indirectly, of at least 30% (or 25% if the reduction below 30% is attributable solely to dilution as a result of the issuance of stock in connection with a Permitted Acquisition) of (A) the Equity Interests of Holdings ordinarily having the right to vote on any matters relating to the management of Holdings, including the election of its "managers" within the meaning of the Act, or (B) if Holdings is then a corporation, the capital stock or other Equity

Interests of Holdings ordinarily having the right to vote at an election of directors;

(ii) Holdings ceases to be the "beneficial owner" (as defined in Rule 13d-3 and 13d-5 under the Securities Exchange Act), directly or indirectly, of 100% of the combined voting power of the Equity Interests of the Borrower ordinarily having the right to vote on any matters relating to the management of Holdings, including the election of its "managers" within the meaning of the Act;

(iii) Investor or an entity controlled by Sponsor or Investor, together with members of management of Holdings and its Subsidiaries, cease to be the "beneficial owner" (as defined in Rule 13d-3 and 13d-5 under the Securities Exchange Act), directly or indirectly, of at least 35% on a fully diluted basis of (A) the Equity Interests of Holdings ordinarily having the right to vote on any

matters relating to the management of Holdings, including the election of its "managers" within the meaning of the Act or (B) if Holdings is then a corporation, the capital stock or other Equity Interests of Holdings ordinarily having the right to vote at an election of directors;

(iv) (A) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act but excluding Investor) becomes the "beneficial owner" (as defined in Rule 13d-3 and 13d-5 under the Securities Exchange Act, except that for purposes of this clause (iv), such Person or group shall be deemed to have "beneficial ownership" of all Equity Interests that it has the right to acquire whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of an equal or greater percentage of (I) the Equity Interests of Holdings, or (II) if Holdings is then a corporation, the capital stock or other Equity Interests of Holdings ordinarily having the right to vote at an election of directors than that percentage beneficially owned by Sponsor or an entity Controlled by Sponsor or (B) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act but in each case excluding Sponsor and its Affiliates) acquires the right, directly or indirectly, (I) to elect, appoint or nominate members of the Board of Managers with aggregate voting power greater than that held by the members of the Board of Managers nominated by CB Capital and the managing member of Investor, (II) to elect, appoint or nominate any managing member or "manager" within the meaning of the Act of, or otherwise to Control, Investor (provided that Chase Fairfield may serve as the initial managing member of Investor in accordance with the terms of its limited liability company agreement) or (III) to elect, appoint or nominate any general or managing partner of, or otherwise to Control, CB Capital;

(v) (A) Continuing Managers shall not constitute the members of the Board of Managers with a majority of the voting power of the Board of Managers or (B) if Holdings is then a corporation, Continuing Directors shall not constitute the members of the Board of Directors of Holdings with a majority of the voting power of the Board of Directors of Holdings; or

(vi) there shall occur a Change of Control (as defined in the Senior Subordinated Notes Indenture) or a Change of Control (as defined in

the Holdings Operating Agreement).

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or the Issuing Bank (or, for purposes of

Section 2.15(b), by any lending office of such Lender or by such Lender's or the Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Charges" has the meaning assigned to such term in Section 9.13.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans, Term Loans or Swingline Loans and, when used in reference to any Commitment, refers to whether such Commitment is a Revolving Commitment or Term Commitment.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" means any and all "Collateral" as defined in any applicable Security Document.

"Collateral Agent" means the "Collateral Agent" as defined in the Security Agreement.

"Commitment" means a Revolving Commitment or Term Commitment, or any combination thereof (as the context requires).

"Common Units" has the meaning assigned to such term in the preamble of this Agreement.

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period, plus, without duplication and to the extent deducted from revenues in determining Consolidated Net Income for such period, the sum of (a) the aggregate amount of Consolidated Interest Expense for such period, (b) the aggregate amount of letter of credit fees paid during such period, (c) the aggregate amount of income Tax expense for such period, (d) all amounts attributable to depreciation, amortization and other non-cash charges or losses for such period, (e) non-cash expenses resulting from the grant of stock options to any director, officer or employee or Holdings, the Borrower or any Subsidiary pursuant to a written plan or agreement, (f) all amounts attributable to compensation expense related to transaction bonuses incurred in connection with the Transactions, (g) all extraordinary charges during such period and (h) all non-recurring transaction and financing expenses resulting from the Transactions and Permitted Acquisitions, and minus, without duplication and to the extent added to revenues in determining Consolidated Net Income for such period, all extraordinary gains during such period, all as determined on a consolidated basis with respect to Holdings, the Borrower and the Subsidiaries in accordance with GAAP. If the Borrower or any consolidated

Subsidiary has made any Permitted Acquisition or any sale, transfer, lease or other disposition of assets outside of the ordinary course of business permitted by Section 6.05 during the relevant period for determining Consolidated EBITDA, Consolidated EBITDA for the relevant period shall be calculated after giving pro forma effect thereto, as if such Permitted Acquisition or sale, transfer, lease or other disposition of assets (and any related incurrence, repayment or assumption of Indebtedness, with any new Indebtedness being deemed to be amortized over the relevant period in accordance with its terms, and assuming that any Revolving Loans borrowed in connection with such acquisition are repaid with excess cash balances when available) had occurred on the first day of the relevant period for determining Consolidated EBITDA. Any such pro forma calculations may include operating expense reductions for such period resulting from any Permitted Acquisition that is being given pro forma effect to the extent that such operating expense reductions (a) would be permitted pursuant to Article XI of Regulation S-X under the Securities Act of 1933, as amended or (b) have been approved by the Required Lenders.

"Consolidated Interest Coverage Ratio" means, with respect to any period, the ratio of (a) Consolidated EBITDA for such period to (b) Consolidated Interest Expense for such period.

"Consolidated Interest Expense" means, for any period, (a) the interest expense, both expensed and capitalized (including the interest component in respect of Capital Lease Obligations), accrued by Holdings, the Borrower and the Subsidiaries during such period and payable in cash (b) net of interest income, in each case determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Income" means, for any period, net income or loss of Holdings, the Borrower and the Subsidiaries for such period determined on a consolidated basis in accordance with GAAP, provided that there shall be excluded from such net income or loss the income of any Person in which any other Person (other than the Borrower or any of the Subsidiaries or any director holding qualifying shares in compliance with applicable law) has a majority interest, except to the extent of the amount of dividends or other distributions actually paid to Holdings, the Borrower or any of the Subsidiaries by such Person during such period.

"Continuing Director" means, at any date, an individual (a) who, as at such date, has been a member of such Board of Directors for at least the 12 preceding months (or was a member of the board of managers of a predecessor limited liability company during any portion of such period before such entity was converted in some manner into a corporation), (b) who has been nominated to be a member of such Board of Directors, directly or indirectly, by Sponsor or Persons nominated by Sponsor, (c) who has been nominated to be a member of such Board of Directors by a majority of the other Continuing Directors then in office or (d) in the case of Holdings, who has been

nominated to be a member of the Board of Directors of Holdings pursuant to the

terms of the Members' Agreement or any similar successor agreement.

"Continuing Manager" means, at any date, an individual (a) who, as at such date, has been a member of the Board of Managers for at least the 12 preceding months, (b) who has been nominated to be a member of the Board of Managers, directly or indirectly, by Sponsor or Persons nominated by Sponsor, (c) who has been nominated to be a member of the Board of Managers by a majority of the other Continuing Managers then in office or (d) who has been nominated to be a member of the Board of Managers pursuant to the terms of the Members' Agreement.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. The terms "Controlling" and "Controlled" have meanings correlative thereto.

"Default" means any event or condition that constitutes an Event of Default or that upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Disclosed Matters" means the actions, suits and proceedings and the environmental matters disclosed in Schedule 3.06.

"dollars" or "$" refers to lawful money of the United States of America.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions or binding agreements issued, promulgated or entered into by or with any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, handling, treatment, storage, disposal, Release or threatened Release of any Hazardous Material or to health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, natural resource damage, costs of environmental investigation or remediation, administrative oversight costs, fines, penalties or indemnities), of Holdings, the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any

Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equity Contribution" has the meaning assigned to such term in the preamble of this Agreement.

"Equity Interests" means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial

interests in a trust or other equity ownership interests in a Person.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"Event of Default" has the meaning assigned to such term in Article VII.

"Excess Cash Flow" means, for any period, the sum (without duplication) of:

(a) the Consolidated Net Income for such period, adjusted to exclude any gains or losses attributable to Prepayment Events or dispositions that would constitute Prepayment Events but for clauses (a)(i) through (a)(iii) and clause (b) of the definition of the term "Prepayment Event"; plus

(b) depreciation, amortization and other non-cash charges or losses deducted in determining such Consolidated Net Income for such period; plus

(c) the sum of (i) the amount, if any, by which Net Working Capital decreased during such period plus (ii) the amount, if any, by which the consolidated deferred revenues of Holdings and its consolidated subsidiaries (not recorded as a current liability) increased during such

period plus (iii) the aggregate principal amount of Capital Lease Obligations and other Indebtedness incurred during such period to finance Capital Expenditures and Permitted Acquisitions, to the extent that mandatory principal payments in respect of such Indebtedness would not be excluded from clause (f) below when made; minus

(d) the sum of (i) any non-cash income or gains included in determining such consolidated net income (or loss) for such period plus (ii) the amount, if any, by which Net Working Capital increased during such period plus (iii) the amount, if any, by which the consolidated deferred revenues of Holdings and its consolidated subsidiaries (not recorded as a current liability) decreased during such period; minus

(e) Capital Expenditures for such period (other than Capital Expenditures made pursuant to Section 6.12(c) or (d)); minus

(f) the aggregate principal amount of Indebtedness repaid or prepaid by Holdings and its consolidated subsidiaries during such period, excluding (i) Indebtedness in respect of Revolving Loans and Letters of Credit, (ii) Term Loans prepaid pursuant to Section 2.11(a), (b) or (c), (iii) repayments or prepayments of Indebtedness financed by incurring other Indebtedness, to the extent that mandatory principal payments in respect of such other Indebtedness would, pursuant to this clause (f), be deducted in determining Excess Cash Flow when made and (iv) Indebtedness referred to in clauses (iv) and (v) of Section 6.01(a) and Indebtedness (other than term Indebtedness) referred to in clause (viii) of Section 6.01(a).

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"Excluded Taxes" means, with respect to the Administrative Agent, the Swingline Lender, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise Taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Foreign Lender, in which its applicable lending office is located (provided, however, that no Foreign Lender shall be deemed to be located in any jurisdiction solely as a result of taking any action related to this loan), (b) any branch profits Taxes imposed by the United States of America or any similar Tax imposed by any other jurisdiction described in clause (a) above and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.19(b)), any withholding Tax (i) that is in effect and would apply to amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office), except to the extent that such Foreign Lender (or its assignor, if any) would have been entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to any withholding Tax pursuant to Section 2.17(a) or (ii) that is attributable to such Foreign Lender's failure to comply with Section 2.17(e).

"Existing Shareholder" has the meaning assigned to such term in the preamble of this Agreement.

"Fairfield Chase" means Fairfield Chase Medical Partners, LLC, a Delaware limited liability company.

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means the chief financial officer, principal accounting officer, treasurer or controller of the Borrower.

"First Union" has the meaning assigned to such term in the preamble of this Agreement.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this

definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Foreign Subsidiary" means any Subsidiary that is organized under the laws of a jurisdiction other than the United States of America or any State thereof or the District of Columbia.

"GAAP" means generally accepted accounting principles in the United States of America.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation, provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business.

"Guarantee Agreements" means, collectively, the Parent Guarantee Agreement and the Subsidiary Guarantee Agreement.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law, including any material listed as a hazardous substance under Section 101(14) of CERCLA.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"Holdings" has the meaning assigned to such term in the introductory paragraph of this Agreement.

"Holdings Operating Agreement" means collectively, the Operating Agreement of Holdings and the By-laws of Holdings, each dated as of June 30, 1999, which collectively are the sole "limited liability company agreements" of Holdings within the meaning of the Act.

"Income Tax Liabilities" means an amount determined by multiplying (a) (i) all taxable income and gains of Holdings (in the case of Holdings) and the Borrower (in the case of the Borrower) for such calendar year (the "Taxable Amount") minus (ii) an amount (not to exceed the Taxable Amount for such calendar year) equal to all losses of Holdings (in the case of Holdings) or the Borrower (in the case of the Borrower) in any of the three prior calendar years that have not been previously subtracted pursuant to this clause (ii) from the Taxable Amount of Holdings or the Borrower, respectively, for any prior year by (b) 44%.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (d) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business) (it being understood that "deferred purchase price" in connection with any purchase of property or assets shall include only that portion of the purchase price which shall be deferred beyond the date on which the purchase is actually consummated), (e) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (f) all Guarantees by such Person of Indebtedness of others, (g) all Capital Lease Obligations of such Person, (h) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (i) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such

Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in

or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnity, Subrogation and Contribution Agreement" means the Indemnity, Subrogation and Contribution Agreement, substantially in the form of Exhibit F, among Holdings, the Borrower, the Subsidiary Loan Parties and the Administrative Agent.

"Information Memorandum" means the Confidential Information Memorandum dated May 1999 relating to the Borrower and the Transactions.

"Interest Election Request" means a request by the Borrower to convert or continue a Revolving Borrowing or Term Borrowing in accordance with Section 2.07.

"Interest Payment Date" means (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each June, September, December and March, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period and (c) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

"Interest Period" means, with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the Borrower may elect, provided that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (b) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Investor" has the meaning assigned to such term in the preamble of this Agreement.

"Issuing Bank" means The Chase Manhattan Bank, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.05(i). The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"Joint Venture" means, as to a Person, any corporation, partnership or other legal entity or arrangement in which such Person has any direct or indirect Equity Interest and that is not a subsidiary of such Person.

"LC Availability Period" means the period from and including the Effective Date to but excluding the earlier of (a) the date that is five Business Days prior to the Revolving Maturity Date and (b) the date of termination of the Revolving Commitments.

"LC Disbursement" means a payment made by the Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Revolving Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender.

"Letter of Credit" means any letter of credit issued pursuant to this Agreement.

"Leverage Ratio" means, on any date, the ratio of (a) Total Debt as of such date to (b) Consolidated EBITDA for the four-fiscal-quarter period of the Borrower ended on such date (or, if such date is not the last day of a fiscal quarter, ended on the last day of the fiscal quarter of the Borrower most recently ended prior to such date), all determined on a consolidated basis in accordance with GAAP.

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Telerate Service (or on any

successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such

time for any reason, then the "LIBO Rate" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period (and if the Administrative Agent shall not have a London office, then the principal London office of the Syndication Agent).

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan Documents" means this Agreement, the Letters of Credit, the Guarantee Agreements, the Indemnity, Subrogation and Contribution Agreement and the Security Documents.

"Loan Parties" means Holdings, the Borrower and the Subsidiary Loan Parties.

"Loans" means the loans made by the Lenders to the Borrower pursuant to this Agreement.

"Location" means any facility of the Business, now or hereinafter owned, leased or operated by the Borrower or any of its Subsidiaries, in each case including the land on which such facility is located and all buildings and other improvements thereon, including leasehold improvements and all assets related thereto, the construction, acquisition or installation of which would constitute Capital Expenditures.

"Management Agreement" means a financial advisory agreement or other similar agreement between the Borrower or Holdings and the Investor or Fairfield Chase

(or any Affiliate of either of them) providing for customary expense reimbursement and such other terms as are reasonably acceptable to the Agents.

"Management Equity Contribution" has the meaning assigned to such term in the preamble of this Agreement.

"Margin Stock" has the meaning assigned to such term in Regulation U.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, properties, assets, liabilities or financial condition of Holdings, the Borrower and the Subsidiaries taken as a whole, (b) the ability of the Loan Parties to perform any material obligations under any Loan Document or (c) the rights of or benefits available to the Lenders under any Loan Document.

"Material Indebtedness" means Indebtedness (other than the Loans

and Letters of Credit), or obligations in respect of one or more Hedging Agreements, of any one or more of Holdings, the Borrower and the Subsidiaries in an aggregate principal amount exceeding $2,500,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of Holdings, the Borrower or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that Holdings, the Borrower or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"Maximum Rate" has the meaning assigned to such term in Section 9.13.

"Members' Agreement" means the Members' Agreement dated as of June 30, 1999, among Holdings, the Investor and the other members of Holdings named therein.

"Merger Subsidiary" has the meaning assigned to such term in Section 6.03(b).

"Moody's" means Moody's Investors Service, Inc.

"Mortgage" means a mortgage, deed of trust, assignment of leases and rents, leasehold mortgage or other security document granting a Lien on any Mortgaged Property to secure the Obligations. Each Mortgage shall be reasonably satisfactory in form and substance to the Collateral Agent.

"Mortgaged Property" means, initially, each parcel of real property and the improvements thereto owned or leased by a Loan Party and identified on Schedule

1.01(a), and includes each other parcel of real property and improvements thereto with respect to which a Mortgage is granted pursuant to Section 5.12 or 5.13.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Proceeds" means, with respect to any event, (a) the cash proceeds received in respect of such event, including (i) any cash (other than amounts representing interest) received in respect of any non-cash proceeds, but only as and when received, (ii) in the case of a casualty, insurance proceeds, and (iii) in the case of a condemnation or similar event, condemnation awards and similar payments, net of (b) the sum of (i) all reasonable fees and out-of-pocket expenses paid by Holdings, the Borrower and the Subsidiaries to third parties in connection with such event, (ii) in the case of a sale, transfer or other disposition of an asset (including pursuant to a sale and lease-back transaction or a casualty or other insured damage or condemnation or similar proceeding), the amount of all payments required to be made by Holdings, the Borrower and the Subsidiaries as a result of such event to repay Indebtedness (other than Loans) secured by such asset or otherwise subject to mandatory prepayment as a result of such event (including in order to obtain consent required therefor), (iii) the amount of all Taxes paid (or reasonably estimated to be payable) by Holdings, the Borrower and the Subsidiaries, and the amount of any reserves established by Holdings, the Borrower and the Subsidiaries to fund contingent liabilities reasonably estimated to be payable, and that are directly attributable to such event (as

determined reasonably and in good faith by the chief financial officer of the Borrower) and (iv) all distributions and other payments required to be made to minority interest holders in Subsidiaries or Joint Ventures as a result of such event (provided that such distribution or payment is proportionate to such minority interest holders' share of net income (or dividends and distribution made in respect of the Equity Interests) of such Subsidiary or Joint Venture as provided in the certificate of incorporation or other governing documents of such Subsidiary or Joint Venture); provided, however, that with respect to any sale, transfer or other disposition of an asset (including, pursuant to a sale and lease-back transaction or, subject to Section 5.08, a casualty or other insured damage or condemnation or similar proceeding), if the Borrower shall deliver a certificate (a "Reinvestment Certificate") of a Financial Officer to the Administrative Agent at the time of such sale, transfer or other disposition setting forth the Borrower's intent to use the proceeds of such sale, transfer or other disposition to fund expenditures for (A) other assets to be used in a Permitted Business or (B) the acquisition in a Permitted Acquisition of voting Equity Interests of one or more Persons engaged in a Permitted Business that is or thereby becomes a Subsidiary, in each case prior to the date that is 300 days after receipt of such proceeds and no Default or Event of Default shall have occurred and shall be continuing at the time of such certificate or at the proposed time of the application of such proceeds, such proceeds shall not constitute Net

Proceeds except to the extent not so used at the end of such 300-day period, at which time such proceeds shall be deemed to be Net Proceeds.

"Net Working Capital" means, at any date, (a) the consolidated current assets and non-current deferred income tax assets of Holdings and its consolidated subsidiaries as of such date (excluding cash and Permitted Investments) minus (b) the consolidated current liabilities and non-current deferred income tax liabilities of Holdings and its consolidated subsidiaries as of such date (excluding current liabilities in respect of checks issued but not yet paid and Indebtedness). Net Working Capital at any date may be a positive or negative number. Net Working Capital increases when it becomes more positive or less negative and decreases when it becomes less positive or more negative.

"Obligations" has the meaning assigned to such term in the Security Agreement.

"Other Taxes" means any and all current or future recording, stamp, documentary, excise, transfer, sales or property or similar Taxes, charges or levies arising from any payment made under any Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, any Loan Document.

"Parent Guarantee Agreement" means the Parent Guarantee Agreement, substantially in the form of Exhibit D, made by Holdings in favor of the Collateral Agent for the benefit of the Secured Parties.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Perfection Certificate" means a certificate in the form of Annex 1 to the Security Agreement or any other form approved by the Collateral Agent.

"Permitted Acquisition" means the acquisition, by merger or otherwise, by the Borrower or any Subsidiary of assets or Equity Interests so long as (a) immediately after giving effect thereto, no Default or Event of Default shall have occurred and be continuing or would result therefrom, (b) all transactions related thereto shall be consummated in accordance in all material respects with applicable laws, (c) in the case of any acquisition of Equity Interests in any Person, such acquisition is an acquisition of 100% of the Equity Interests of such Person, (d) in case of an acquisition of assets, such assets (other than assets to be retired or disposed of) are to be used, and in the case of an acquisition of Equity Interests, the Person so acquired is engaged, in the same line of business or a Related Business, (e) (i) the Borrower shall be in compliance, on a pro forma basis after giving effect to such acquisition (including any operating expense reductions that would be permitted pursuant to Article XI of Regulation S-X under the

Securities Act of 1933, as amended, or that have been approved by the Required Lenders and Indebtedness assumed or permitted to exist in connection with such acquisition), with the covenants set forth in Sections 6.13 and 6.14 (provided that (A) if the maximum Leverage Ratio then permitted under Section 6.13 is equal to or greater then 5.00 to 1.00, then for purposes of determining such compliance the maximum Leverage Ratio shall be equal to the remainder of (I) the then applicable maximum Leverage Ratio minus (II) 0.25 to 1.00 and (B) if the date of consummation of such acquisition is not the last day of a fiscal quarter, the Consolidated Interest Coverage Ratio shall be calculated, on the pro forma basis set forth above, with respect to the four fiscal quarters of the Borrower most recently ended prior to such date), and shall deliver to the Administrative Agent a certificate of a Financial Officer to such effect and (ii) if any acquisition is consummated prior to December 31, 1999, (A) the Leverage Ratio as of the date of the consummation of such acquisition shall be equal, on a pro forma basis after giving effect to such acquisition (including any operating expense reductions that would be permitted pursuant to Article XI of Regulation S-X under the Securities Act of 1933, as amended, or that have been approved by the Required Lenders and Indebtedness assumed or permitted to exist in connection with such acquisition), to 5.75 to 1.00 and (B) the Consolidated Interest Coverage Ratio for the period of the four fiscal quarters of the Borrower ended on the date of consummation of such acquisition (or, if such date is not the last day of a fiscal quarter, ended on the last day of the fiscal quarter of the Borrower most recently ended prior to such date) shall be equal, on a pro forma basis after giving effect to such acquisition (including any cost savings to the extent approved by the Required Lenders and Indebtedness assumed or permitted to exist in connection with such acquisition), to 1.50 to 1.00 and the Borrower shall deliver a certificate of a Financial Officer to the effect of each of the foregoing clauses (A) and (B), (f) on a pro forma basis after giving effect to such acquisition, the sum of (i) the unused Revolving Commitments and (ii) the dollar cash and cash equivalents of the Borrower and the Subsidiaries not subject to any Lien or other restriction (other than Permitted Liens and Liens and restrictions arising under the Loan Documents) shall be equal to at least $5,000,000 and (g) simultaneously with any such acquisition, the Administrative Agent for the benefit of the Secured Parties shall be granted a first-priority security interest in all real and personal property (including capital stock and other securities or interests but excluding leasehold interests), subject to customary and reasonable exceptions and permitted encumbrances, acquired by the Borrower as part as such acquisition, and the Borrower shall, and shall cause any applicable Subsidiary to, execute any documents (including supplements to

the Subsidiary Guarantee Agreement, the Security Agreement, the Pledge Agreement and the Indemnity, Subrogation and Contribution Agreement, if applicable), financing statements, agreements and instruments, and take all action (including filing financing statements and obtaining and providing consents, title insurance, surveys and legal opinions) that may be required under applicable law or as the Administrative Agent may request, in order to grant, preserve, protect and perfect such security interest; provided, however, that the aggregate amount paid (including any Indebtedness assumed in

connection therewith) in connection with (i) any such Permitted Acquisition shall not exceed $30,000,000 (provided, that if the aggregate amount paid with respect to any Permitted Acquisition, including any Indebtedness assumed in connection therewith, is in excess of $25,000,000, at least $5,000,000 of the consideration paid shall consist of Equity Interests of Holdings), (ii) all such Permitted Acquisitions shall not exceed $50,000,000 during the term of this Agreement and (iii) all Permitted Acquisitions involving assets located outside the United States of America or the Equity Interests of entities organized outside the United States of America shall not exceed $10,000,000 in each case during the term of this Agreement.

"Permitted Business" means the Business and any business providing for the design, manufacture or marketing of orthopedic products, devices, accessories or services, other medical products, devices, accessories or services or any businesses that are reasonably related, ancillary or complementary thereto.

"Permitted Encumbrances" means:

(a) Liens imposed by law for Taxes or other governmental charges that are not yet due or are being contested in compliance with Section 5.05;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law,arising in the ordinary course of business and securing obligations that are not overdue by more than 60 days or are being contested in compliance with Section 5.05;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (k) of Article VII;

(f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Borrower or any Subsidiary;

(g) any interest of a landlord in or to property of the tenant imposed by law, arising in the ordinary course of business and securing lease obligations that are not overdue by more than 60 days or are being contested in compliance with Section 5.05, or any possessory rights of a lessee to the leased property under the provisions of any lease permitted by the terms of this Agreement; and

(h) Liens of a collection bank arising in the ordinary course of business under Section 4-208 of the Uniform Commercial Code in effect in the relevant jurisdiction,

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"Permitted Investments" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody's;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof that has a combined capital and surplus and undivided profits of not less than $500,000,000;

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above; and

(e) shares of funds registered under the Investment Company Act of 1940, as amended, that have assets of at least $500,000,000 and invest substantially all their assets in obligations described in clauses (a) through (d) above to the extent that such shares are rated by Moody's or S&P in one of the two highest rating categories assigned by such agency for shares of such nature.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Pledge Agreement" means the Pledge Agreement, substantially in the form of Exhibit G, among Holdings, the Borrower, the Subsidiary Loan Parties and the Collateral Agent for the benefit of the Secured Parties.

"Preferred Units" has the meaning assigned to such term in the preamble of this Agreement.

"Prepayment Event" means:

(a) any sale, transfer or other disposition (including pursuant to a sale and lease-back transaction) of any property or asset of Holdings, the Borrower or any Subsidiary, other than (i) dispositions described in clauses (a), (b) and (c) of Section 6.05, (ii) dispositions to which clause (b) of this definition applies and (iii) other dispositions resulting in aggregate Net Proceeds not exceeding $250,000 during any fiscal year of the Borrower;

(b) subject to Section 5.08, any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any property or asset of Holdings, the Borrower or any Subsidiary, other than casualties, insured damage or takings resulting in aggregate Net Proceeds not exceeding $250,000 during any fiscal year of the Borrower;

(c) (i) the issuance by Holdings, the Borrower or any Subsidiary of any Equity Interests, or (ii) without duplication of clause (i) of this paragraph (c), the receipt by Holdings, the Borrower or any Subsidiary of any capital contribution, other than in each case (A) any such issuance of Equity Interests by or to, or receipt of any such capital contribution from, Holdings, the Borrower or a Subsidiary for the sole purpose of financing a Permitted Acquisition (including any issuance to one or more sellers in a Permitted Acquisition) or Capital Expenditures, (B) the issuance of Equity Interests of Holdings to employees of the Borrower or any of the Subsidiaries in their capacity as such pursuant to employee benefit plans, employment agreements or other written employment-related

arrangements or (C) the purchase of Equity Interests of a Subsidiary, or the contribution of capital to a Subsidiary, by the Borrower from funds obtained in a manner not otherwise constituting a Prepayment Event; and

(d) the incurrence by Holdings, the Borrower or any Subsidiary of any Indebtedness, other than Indebtedness permitted by clauses (a) and (b) of Section 6.01.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in Charlotte, North Carolina; each change in the Prime Rate shall be effective from and including the date such change is

publicly announced as being effective.

"Pro Forma Capex Amount" has the meaning set forth in Section 6.12(a).

"Recapitalization" has the meaning assigned to such term in the preamble of this agreement

"Recapitalization Agreement" has the meaning assigned to such term in the preamble of this Agreement.

"Register" has the meaning set forth in Section 9.04.

"Regulation T" means Regulation T of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation U" means Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation X" means Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Reinvestment Certificate" has the meaning set forth in the definition of the term "Net Proceeds".

"Reinvestment Temporary Repayment" has the meaning set forth in Section 2.11(f).

"Related Parties" means, with respect to any specified Person, such Person's Affiliates (other than Sponsor and Persons Controlled by Sponsor in the case of The Chase Manhattan Bank) and the respective directors, officers, employees, agents and

advisors of such Person and such Person's Affiliates (other than Sponsor and Persons Controlled by Sponsor in the case of The Chase Manhattan Bank).

"Release" has the meaning set forth in Section 101(22) of CERCLA.

"Required Lenders" means, at any time, Lenders having Revolving Exposures, Term Loans and unused Commitments representing more than 50% of the sum of the total Revolving Exposures, outstanding Term Loans and unused Commitments at such time.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any class of Equity Interests of Holdings, the Borrower or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancelation or termination of any Equity Interests of Holdings, the Borrower or any Subsidiary or any option, warrant or other right to acquire any Equity Interests of Holdings, the Borrower or any Subsidiary.

"Revolving Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Revolving Maturity Date and the date of termination of the Revolving Commitments.

"Revolving Commitment" means, with respect to each Lender, the commitment, if any, of such Lender to make Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.08 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Revolving Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Revolving Commitment, as applicable. The initial aggregate amount of the Lenders' Revolving Commitments is $25,000,000.

"Revolving Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans and its LC Exposure and Swingline Exposure at such time.

"Revolving Lender" means a Lender with a Revolving Commitment or, if the Revolving Commitments have terminated or expired, a Lender with Revolving Exposure.

"Revolving Loan" means a Loan made pursuant to clause (b) of Section 2.01.

"Revolving Maturity Date" means June 30, 2004, or if such day is not a Business Day, the next preceding Business Day.

"Roll-Over Equity" has the meaning assigned to such term in the preamble of this Agreement.

"S&P" means Standard & Poor's Rating Service.

"Secured Parties" has the meaning assigned to such term in the Security Agreement.

"Security Agreement" means the Security Agreement, substantially in the form of Exhibit H, among Holdings, the Borrower, the Subsidiary Loan Parties and the Collateral Agent for the benefit of the Secured Parties.

"Security Documents" means the Security Agreement, the Pledge Agreement, the Mortgages and each other security agreement, mortgage or other instrument or document executed and delivered pursuant to Section 5.12 or 5.13 to secure any of the Obligations.

"Senior Subordinated Notes" has the meaning assigned to such term in the preamble of this Agreement.

"Senior Subordinated Notes Indenture" means the indenture to be entered into by Holdings, the Borrower and DJ Orthopedics Capital Corporation, a Delaware corporation and a wholly owned Subsidiary, in connection with the issuance of the Senior Subordinated Notes, together with all instruments and other agreements entered into by Holdings, the Borrower and such Subsidiary in

connection therewith, as the same may be amended, supplemented or otherwise modified from time to time in accordance with Section 6.11.

"Sponsor" has the meaning assigned to such term in the preamble of this Agreement.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject (a) with respect to the Base CD Rate,

for new negotiable nonpersonal time deposits in dollars of over $100,000 with maturities approximately equal to three months and (b) with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which Equity Interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" means any subsidiary of the Borrower.

"Subsidiary Guarantee Agreement" means the Subsidiary Guarantee Agreement, substantially in the form of Exhibit E, made by the Subsidiary Loan Parties in favor of the Collateral Agent for the benefit of the Secured Parties.

"Subsidiary Loan Party" means any Subsidiary other than a Foreign Subsidiary that, if it were to Guarantee the Obligations, would result in adverse Tax consequences to Holdings or the Borrower.

"Swingline Exposure" means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

"Swingline Lender" means The Chase Manhattan Bank or any of its Affiliates, in its capacity as lender of Swingline Loans hereunder.

"Swingline Loan" means a Loan made pursuant to Section 2.04.

"Syndication Agent" means The Chase Manhattan Bank in its capacity as Syndication Agent with respect to this Agreement.

"Tax Distribution" means as of the time of determination thereof, any distribution by the Borrower or Holdings, to (a) in the case of the Borrower, Holdings or (b) in the case of Holdings, its members pursuant to the provisions of Section 6.08(a)(i), which distribution shall be equal to (i) with respect to quarterly estimated Tax payments due in each calendar year, 25% of the Income Tax Liabilities for such calendar year as estimated in writing by the chief financial officer of the Borrower in good faith and (ii) with respect to Tax payments to be made with income Tax returns filed for a full calendar year or with respect to adjustments to such returns imposed by the Internal Revenue Service or other taxing authority, the Income Tax Liabilities for such calendar year minus the aggregate amount distributed for such year as provided in the preceding clause (i). In the event the amount determined under clause (ii) of the immediately preceding sentence is a negative amount, the amount of any Tax Distributions in the succeeding calendar year (or if necessary, any next succeeding calendar years) shall be reduced by an aggregate amount equal to such amount.

"Taxable Amount" has the meaning assigned to such term in the definition of the term "Income Tax Liabilities".

"Taxes" means any and all current or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Term Commitment" means, with respect to each Lender, the commitment, if any, of such Lender to make a Term Loan hereunder on the Effective Date, expressed as an amount representing the maximum principal amount of the Term Loan to be made by such Lender hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.08 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Term Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Term Commitment, as applicable. The initial aggregate amount of the Lenders' Term Commitments is $15,500,000.

"Term Loans" means Loans made pursuant to clause (a) of Section 2.01.

"Term Maturity Date" means June 30, 2005, or if such day is not a Business Day, the next preceding Business Day.

"Three-Month Secondary CD Rate" means, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day

(or, if such day is not a Business Day, the next preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day) or, if such rate is not so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 a.m., New York City time, on such day (or, if such day is not a Business Day, on the next preceding Business Day) by the Administrative Agent from three negotiable certificate of deposit dealers of recognized standing selected by it.

"Total Debt" means, as of any date of determination, without duplication, (a) the aggregate principal amount of Indebtedness of Holdings, the Borrower and the Subsidiaries as of such date, determined on a consolidated basis in accordance with GAAP (other than (i) Indebtedness of the type referred to in clause (h) of the definition of the term "Indebtedness", except to the extent of any unreimbursed drawings thereunder and Indebtedness of the type referred to in Section 6.01(a)(x), and (ii) the aggregate principal amount of Revolving Loans and Swingline Loans outstanding as of such date), plus (b) the average daily principal amount of Revolving Loans and Swingline Loans outstanding during the four-fiscal-quarter period immediately preceding such date.

"Term Lender" means a Lender with a Term Commitment or an outstanding Term Loan.

"Transaction Costs" has the meaning assigned to such term in the preamble of this Agreement.

"Transactions" has the meaning assigned to such term in the preamble of this Agreement.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a

"Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving Borrowing").

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding

masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time, provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II

The Credits

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SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees (a) to make a Term Loan to the Borrower on the Effective Date in a principal amount not exceeding its Term Commitment, and (b) to make Revolving Loans to the Borrower from time to time during the Revolving Availability Period in an aggregate principal amount that will not result in such Lender's Revolving Exposure exceeding such Lender's Revolving Commitment. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans. Amounts repaid in respect of Term Loans may not be reborrowed.

SECTION 2.02. Loans and Borrowings. (a) Each Loan (other than a Swingline Loan) shall be made as part of a Borrowing consisting of Loans of the same Class and Type made by the Lenders ratably in accordance with their respective Commitments of the applicable Class. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder, provided that the Commitments of the Lenders are

several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.14, each Revolving Borrowing and Term Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith. Notwithstanding anything to the contrary contained herein, all Borrowings made on the Effective Date shall be ABR Borrowings. Each Swingline Loan shall be an ABR Loan. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan, provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $100,000 and not less than $2,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $100,000 and not less than $2,000,000, provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Revolving Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.05(e). Each Swingline Loan shall be in an amount that is an integral multiple of $50,000 and not less than $250,000. Borrowings of more than one Type and Class may be outstanding at the same time, provided that there shall not at any time be more than a total of eight Eurodollar Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue (i) any Revolving Borrowing or Swingline Loan if the Interest Period requested with respect thereto would

end after the Revolving Maturity Date or (ii) any Term Borrowing if the Interest Period requested with respect thereto would end after the Term Maturity Date.

SECTION 2.03. Requests for Borrowings. To request a Revolving Borrowing or Term Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing, provided that any such notice of an ABR Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.05(e) may be given not later than 10:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) whether the requested Borrowing is to be a Revolving Borrowing or Term Borrowing;

(ii) the aggregate amount of such Borrowing;

(iii) the date of such Borrowing, which shall be a Business Day;

(iv) subject to the second sentence of Section 2.02(b), whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(v) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(vi) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.06.

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. Swingline Loans. (a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time during the Revolving Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding $2,500,000 or (ii) the sum of the total Revolving Exposures exceeding the total Revolving Commitments, provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Loan, the Borrower shall notify the Administrative Agent and the Swingline Lender of such request by telephone (confirmed by telecopy), not later than 1:00 p.m., New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Swingline Loan. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the general deposit account of the Borrower with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e), by remittance to the Issuing Bank) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) The Swingline Lender may by written notice given to the Administrative Agent require the Revolving Lenders to acquire participations on any Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall be given to the Administrative Agent not later than 11:00 a.m., New York City time, on the Business Day immediately preceeding the Business Day on which the Revolving Lenders are required to acquire such participations and shall specify the aggregate amount of Swingline Loans in which Revolving Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Revolving Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline

Loan or Loans. Each Revolving Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Revolving Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Revolving Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as

provided in Section 2.06 with respect to Loans made by such Lender (and Section 2.06 shall apply, mutatis mutandis, to the payment obligations of the Revolving Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Revolving Lenders. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Revolving Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

SECTION 2.05. Letters of Credit. (a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit for its own account or for the account of any Subsidiary (subject, in the case of any Subsidiary which is not a Subsidiary Loan Party, to the limitations set forth in Section 6.04), in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the LC Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to

prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Borrower also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended

only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the LC Exposure shall not exceed $5,000,000 and (ii) the total Revolving Exposures shall not exceed the total Revolving Commitments.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Revolving Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Revolving Lender, and each Revolving Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Revolving Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 1:00 p.m., New York City time, on the date that such LC Disbursement is made, if the Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m., New York City time, on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 12:00 noon, New York City time, on (i) the Business Day that the Borrower receives such notice, if such notice is received prior to 10:00 a.m., New York City time, on the day of receipt, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt, provided that the

Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 or 2.04 that such payment be financed with an ABR Revolving Borrowing or Swingline Loan in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing or Swingline Loan. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Revolving Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Revolving Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.06 with respect to Loans made by such Lender (and Section 2.06 shall apply, mutatis mutandis, to the payment obligations of the Revolving Lenders), and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Revolving Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Revolving Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear. Any payment made by a Revolving Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement (other than the funding of ABR Revolving Loans or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

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(f) Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of set-off against, the Borrower's obligations hereunder. None of the Administrative Agent, the Lenders, the Issuing Bank or any of their Related Parties shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank, provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Issuing Bank's

failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or wilful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented that appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such

demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder, provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Bank and the Revolving Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans, provided that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.13(c) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Revolving Lender pursuant to paragraph (e) of this Section to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of the Issuing Bank. The Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement

with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Revolving Lenders with LC Exposure representing greater than 50% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, the Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to 105% of the LC Exposure as of such date plus any accrued and unpaid interest thereon, provided that the obligation to deposit such cash collateral shall become effective

immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in clause (h) or (i) of Article VII. Each such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Borrower under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments (if requested by the Borrower) shall be made at the option and sole discretion of the Administrative Agent and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Revolving Lenders with LC Exposure representing greater than 50% of the total LC Exposure), be applied to satisfy other obligations of the Borrower under this Agreement. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived.

SECTION 2.06. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders, provided that Swingline Loans shall be made as provided in Section 2.04. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account designated by the Borrower in the applicable Borrowing Request, provided that ABR Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.05(e) shall be remitted by the Administrative Agent to the Issuing Bank.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a

corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with

interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.07. Interest Elections. (a) Each Revolving Borrowing and Term Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Swingline Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02 and paragraph (f) of this Section:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

(f) A Borrowing of any Class may not be converted to or continued as a Eurodollar Borrowing if after giving effect thereto (i) the Interest Period therefor would commence before and end after a date on which any principal of the Loans of such Class is scheduled to be repaid and (ii) the sum of the aggregate principal amount of outstanding Eurodollar Borrowings of such Class with Interest Periods ending on or prior to such scheduled repayment date plus the aggregate principal amount of outstanding ABR Borrowings of such Class would be less than the aggregate principal amount of Loans of such Class required to be repaid on such scheduled repayment date.

SECTION 2.08. Termination and Reduction of Commitments. (a) Unless previously terminated, (i) the Term Commitments shall terminate at 5:00 p.m., New York City time, on the Effective Date and (ii) the Revolving Commitments shall terminate on the Revolving Maturity Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments of any Class, provided that (i) each reduction of the Commitments of any Class shall be in an amount that is an integral multiple of $1,000,000 and not less

than $2,000,000 and (ii) the Borrower shall not terminate or reduce the Revolving Commitments if, after giving effect to any concurrent prepayment of the Revolving Loans in accordance with Section 2.11, the sum of the Revolving Exposures would exceed the total Revolving Commitments.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable, provided that a notice of termination of the Revolving Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, an initial public offering of Equity Interests in Holdings or the Borrower or a sale of all or substantially all the assets or Equity Interests of the Borrower or Holdings (whether by merger or otherwise), in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments of any Class shall be permanent. Each reduction of the Commitments of any Class shall be made ratably among the Lenders in accordance with their respective Commitments of such Class.

SECTION 2.09. Repayment of Loans, Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan of such Lender on the Revolving Maturity Date, (ii) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Term Loan of such Lender as provided in Section 2.10 and (iii) to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Revolving Maturity Date and the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least two Business Days after such Swingline Loan is made, provided that on each date that a Revolving Borrowing is made, the Borrower shall repay all Swingline Loans then outstanding.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and

payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein, provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans of any Class made by it

be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a customary form reasonably satisfactory to the Administrative Agent and the Borrower. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.10. Amortization of Term Loans. (a) Subject to adjustment pursuant to paragraph (c) of this Section, the Borrower shall repay Term Borrowings on the last Business Day of each month set forth below (or, in the case of the last repayment, on the Term Maturity Date) in the aggregate principal amount set forth opposite such month:

<TABLE>
<CAPTION>

Date	Amount
<S>	<C>
September, 1999	$125,000
December, 1999	$125,000
March, 2000	$125,000
June, 2000	$125,000
September, 2000	$125,000
December, 2000	$125,000
March, 2001	$125,000
June, 2001	$125,000
September, 2001	$125,000
December, 2001	$125,000

</TABLE>

<TABLE>
<CAPTION>

Date	Amount
<S>	<C>
March, 2002	$125,000
June, 2002	$125,000
September, 2002	$125,000

December, 2002	$125,000
March, 2003	$125,000
June, 2003	$125,000
September, 2003	$125,000
December, 2003	$125,000
March, 2004	$125,000
June, 2004	$125,000
September, 2004	$3,250,000
December, 2004	$3,250,000
March, 2005	$3,250,000
Term Maturity Date	$3,250,000
	$15,500,000

</TABLE>

(b) To the extent not previously paid, all Term Loans shall be due and payable on the Term Maturity Date.

(c) If the initial aggregate amount of the Lenders' Term Commitments exceeds the aggregate principal amount of Term Loans that are made on the Effective Date, then the scheduled repayments of Term Borrowings to be made pursuant to this Section shall be reduced ratably by an aggregate amount equal to such excess. Any prepayment of a Term Borrowing shall be applied to reduce the subsequent scheduled repayments of the Term Borrowings to be made pursuant to this Section ratably.

(d) Prior to any repayment of any Term Borrowings hereunder, the Borrower shall select the Borrowing or Borrowings to be repaid and shall notify the Administrative Agent by telephone (confirmed by telecopy) of such selection not later than 11:00 a.m., New York City time, three Business Days before the scheduled date of such repayment, provided that each repayment of Term Borrowings shall be applied to repay any outstanding ABR Borrowings before any Eurodollar Borrowings. Each repayment of a Borrowing shall be applied ratably to the Loans included in the repaid Borrowing. Repayments of Term Borrowings shall be accompanied by accrued interest on the amount repaid.

SECTION 2.11. Prepayment of Loans. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to the requirements of this Section.

(b) Subject to the provisions of Section 5.08(b), in the event and on each occasion that any Net Proceeds are received by or on behalf of

Holdings, the Borrower or any Subsidiary in respect of any Prepayment Event, the Borrower shall, promptly after such Net Proceeds are received, prepay Term Borrowings in an aggregate amount equal to 100% of such Net Proceeds.

(c) Following the end of each fiscal year of the Borrower, commencing with the fiscal year ending December 1999, the Borrower shall prepay Term Borrowings in an aggregate amount equal to the amount by which (i) 50% of Excess Cash Flow for such fiscal year (provided that such percentage shall be increased from 50% to 75% in respect of any fiscal year if the Leverage Ratio as of the last day of such fiscal year is equal to or exceeds 4.00 to 1.00) exceeds (ii) the aggregate amount of all prepayments actually made pursuant to Section 2.11(a) since the date a prepayment was made pursuant to this paragraph in respect of the immediately preceding fiscal year of the Borrower (or would have been required to be made pursuant to this paragraph if so required with respect to such immediately preceding fiscal year). Each prepayment pursuant to this paragraph shall be made on or before the date that is three days after the date on which financial statements are delivered pursuant to Section 5.01 with respect to the fiscal year for which Excess Cash Flow is being calculated (and in any event within 100 days after the end of such fiscal year).

(d) Prior to any optional or mandatory prepayment of Borrowings hereunder, the Borrower shall select the Borrowing or Borrowings to be prepaid and shall specify such selection in the notice of such prepayment pursuant to paragraph (e) of this Section, provided that each prepayment shall be applied to prepay ABR Borrowings before any Eurodollar Borrowings.

(e) The Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date, the principal amount of each Borrowing or portion thereof to be prepaid and, in the case of a mandatory prepayment, a reasonably detailed calculation of the amount of such prepayment, provided that, if a notice of optional

prepayment is given in connection with a conditional notice of termination of the Revolving Commitments as contemplated by Section 2.08, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.08. Promptly following receipt of any such notice (other than a notice relating solely to Swingline Loans), the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type as provided in Section 2.02, except as necessary to apply fully the required amount of a mandatory prepayment. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13.

(f) In the event the Borrower specifies in the applicable Reinvestment Certificate that the Borrower will apply the Net Proceeds of any asset sale or other disposition to the temporary repayment of Revolving Loans

pursuant to this Section 2.11(f), the Borrower shall apply such Net Proceeds to the repayment of Revolving Loans as provided in this Section, without giving effect to any minimum repayment amounts set forth herein. Any such repayment is referred to herein as a "Reinvestment Temporary Repayment". The Borrower may from time to time reborrow all or a portion of the amount repaid pursuant to any Reinvestment Temporary Repayment if (i) such borrowing complies with all the procedures for a Revolving Borrowing set forth in Section 2.03 and (ii) promptly upon the receipt of the proceeds of such Revolving Borrowing, the Borrower (A) reinvests such proceeds in accordance with the terms of the proviso in the definition of the term "Net Proceeds" or (B) applies such proceeds to the prepayment of Term Loans as provided in Section 2.11(b). So long as any portion of any Reinvestment Temporary Repayment has not been reborrowed, the Borrower shall not be entitled to borrow, and no Lender shall be entitled to make, Revolving Loans or Swingline Loans if after giving effect thereto the aggregate Revolving Exposure at such time would exceed an amount equal to (i) the aggregate amount of the Revolving Commitments at such time minus (ii) the aggregate amount of all Reinvestment Temporary Repayments that have not been reborrowed at such time.

SECTION 2.12. Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Revolving Lender a commitment fee, which shall accrue at the Applicable Rate on the average daily unused amount of the Revolving Commitment of such Lender during the period from and including the Effective Date to but excluding the date on which such Revolving Commitment terminates. Accrued commitment fees shall be payable in arrears on the last day of June, September, December and March of each year and on the date on which the Revolving Commitments terminate, commencing on the first such date to occur after the date hereof. All commitment fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the

last day). For purposes of computing commitment fees with respect to Revolving Commitments, a Revolving Commitment of a Lender shall be deemed to be used to the extent of the outstanding Revolving Loans and LC Exposure of such Lender (and the Swingline Exposure of such Lender shall be disregarded for such purpose).

(b) The Borrower agrees to pay (i) to the Administrative Agent for the account of each Revolving Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Rate as interest on Eurodollar Revolving Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Revolving Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to the Issuing Bank a fronting fee, which shall accrue at the rate of 3 of 1% per annum on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Revolving Commitments and the date on which there ceases to be any LC Exposure, as well as the Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Accrued participation fees and fronting fees shall be payable on the last day of June, September, December and March of each year, commencing on the first such date to occur after the Effective Date, provided that all such fees shall

be payable on the date on which the Revolving Commitments terminate and any such fees accruing after the date on which the Revolving Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the Issuing Bank, in the case of fees payable to it) for distribution, in the case of commitment fees and participation fees, to the Lenders entitled thereto. Fees paid shall not be refundable under any circumstances.

SECTION 2.13. Interest. (a) The Loans comprising each ABR Borrowing (including each Swingline Loan) shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Revolving Loans as provided in paragraph (a) of this Section.

(d) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the Revolving Commitments, provided that (A) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (B) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Revolving Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (C) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or Adjusted LIBO Rate shall be determined by the Administrative

Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.14. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate for such Interest Period will not adequately and fairly reflect

the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

SECTION 2.15. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or the Issuing Bank; or

(ii) impose on any Lender or the Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or the Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or the Issuing Bank in respect thereof (whether of principal, interest or otherwise), then the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or the Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the

Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay

to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section (and setting forth the underlying calculations) shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation, provided that the Borrower shall not be required to compensate a Lender or the Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 180 days prior to the date that such Lender or the Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Bank's intention to claim compensation therefor; and, provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.16. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Revolving Loan or Term Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.11(e) and is revoked in accordance therewith), or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.19, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense incurred by such Lender attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest that would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest that would accrue on

such principal amount for such period at the interest rate that such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the Eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section (and setting forth the underlying calculations) shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.17. Taxes. (a) Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes, provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent, each Lender and the Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent, such Lender or the Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder or under any other Loan Document (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability (and setting forth the underlying calculations) delivered to the Borrower by a Lender or the Issuing Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or the Issuing Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such

payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender and any Issuing Bank that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code (together with the Foreign Lenders, the "Non-U.S. Lenders") shall, if such Non-U.S. Lender is entitled to an exemption from or reduction of withholding Tax under the laws of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement, deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate. Notwithstanding any other provision of this Section 2.17, a Non-U.S. Lender shall not be required to deliver any form pursuant to this Section 2.17(e) that such Non-U.S. Lender is not legally able to deliver.

(f) If the Administrative Agent or a Lender (or transferee) determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.17, it shall pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.17 with respect to the Taxes or Other Taxes giving rise of such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender (or transferee) and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, however, that the Borrower, upon the request of the Administrative Agent or such Lender (or transferee), agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender (or transferee) in the event the Administrative Agent or such Lender (or transferee) is required to repay such refund to such Governmental Authority. Nothing contained in this Section 2.17(f) shall require the Administrative Agent or any Lender to make available its Tax returns (or any other information relating to its Taxes which it deems confidential) to the Borrower or any other Person.

SECTION 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (a) The Borrower shall make each payment required to be made by it hereunder or under any other Loan Document (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on

the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices set forth in Section 9.01 except payments to be made directly to the Issuing Bank or Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.15, 2.16, 2.17 and 9.03 shall be made directly to the Persons entitled thereto and payments pursuant to other Loan Documents shall be made to the Persons specified therein. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment under any Loan Document shall be due on a day that is not a Business

Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments under each Loan Document shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans, Term Loans or participations in LC Disbursements or Swingline Loans or any other payment due hereunder resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans, Term Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans, Term Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans, Term Loans and participations in LC Disbursements and Swingline Loans, provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to (A) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or (B) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or

participations in LC Disbursements to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply), provided that The Chase Manhattan Bank and its Affiliates (other than Sponsor and Persons Controlled by Sponsor) shall not be deemed to be Affiliates of Sponsor or any Person Controlled by Sponsor. The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Bank hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to

the Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.04(c), 2.05(d) or (e), 2.06(b), 2.18(d) or 9.03(c), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.19. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the reasonable judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby

agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent (and, if a Revolving Commitment is being assigned, the Issuing Bank and Swingline Lender), which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a material reduction in such compensation or payments. A Lender shall not be required to make any such

assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

ARTICLE III

Representations and Warranties

Each of Holdings and the Borrower represents and warrants to the Lenders that (it being understood that for purposes of the representations and warranties set forth in this Article III made on the Effective Date (and of all defined terms used in conjunction therewith), the Transactions shall be deemed to have been consummated immediately prior to the making of such representations and warranties):

SECTION 3.01. Organization; Powers. Each of Holdings, the Borrower and the Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is

qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION 3.02. Authorization; Enforceability. The Transactions to be entered into by (and any payment of Transaction Costs to be made by) each Loan Party are within such Loan Party's corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder or member action. This Agreement has been duly executed and delivered by each of Holdings and the Borrower and constitutes, and each other Loan Document to which any Loan Party is to be a party, when executed and delivered by such Loan Party, will constitute, a legal, valid and binding obligation of Holdings, the Borrower or such Loan Party (as the case may be), enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03. Governmental Approvals; No Conflicts. The Transactions and the payment of the Transaction Costs (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect or, if not obtained or made, would not, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect and except filings necessary to perfect Liens created under the Loan Documents, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of Holdings, the Borrower or any of the Subsidiaries or any order of any Governmental Authority, except, with respect to any violation of applicable law or regulation or any order of any Governmental Authority, to the extent any such violation would not, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon Holdings, the Borrower or any of the Subsidiaries or its assets, or give rise to a right thereunder to

require any payment to be made by Holdings, the Borrower or any of the Subsidiaries, except to the extent any such violation, default or right would not, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect, and (d) will not result in the creation or imposition of any Lien (other than any Lien expressly permitted by Section 6.02) on any asset of Holdings, the Borrower or any of the Subsidiaries, except Liens created under the Loan Documents.

SECTION 3.04. Financial Condition; No Material Adverse Change. (a) The Borrower has heretofore furnished to the Lenders its consolidated balance sheet and statement of income, members' equity and cash flows (i) as of and for the year ending December 31, 1998, reported on by Ernst & Young, independent public accountants, and (ii) as of and for the period and the portion of the fiscal year ending April 3, 1999, certified by its chief financial officer. Such financial statements present

fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) The Borrower has heretofore furnished to the Lenders its pro forma consolidated balance sheet as of April 3, 1999, prepared giving effect to the Transactions (and payment of the Transaction Costs) as if the Transactions (and payment of the Transaction Costs) had occurred on such date. Such pro forma consolidated balance sheet (i) has been prepared in good faith based on the same assumptions used to prepare the pro forma financial statements included in the Offering Memorandum for the Senior Subordinated Notes (which assumptions are believed by Holdings and the Borrower to be reasonable), (ii) is based on the best information available to Holdings and the Borrower after due inquiry, (iii) accurately reflects all adjustments necessary to give effect to the Transactions (and payment of the Transaction Costs) and (iv) presents fairly, in all material respects, the pro forma financial position of the Borrower and its consolidated Subsidiaries as of April 3, 1999 as if the Transactions (and payment of the Transaction Costs) had occurred on such date.

(c) Except as disclosed in the financial statements referred to above or the notes thereto or in the Information Memorandum and except for the Disclosed Matters, after giving effect to the Transactions (and payment of the Transaction Costs), none of Holdings, the Borrower or any of the Subsidiaries has, as of the Effective Date, any contingent liabilities, unusual long-term commitments or unrealized losses, which contingent liabilities, unusual long-term commitments or unrealized losses could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(d) Since December 31, 1998, there has not occurred any event, condition or circumstance that has had or could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.05. Properties. (a) Each of Holdings, the Borrower and the Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business (including its Mortgaged Properties), except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize

such properties for their intended purposes.

(b) Each of the Borrower and the Subsidiaries has complied with all material obligations under all leases to which it is a party and that are material to the Borrower and the Subsidiaries taken as a whole and all such leases are in full force and

effect. Each of the Borrower and the Subsidiaries enjoys peaceful and undisturbed possession under all such material leases in which a Borrower or a Subsidiary is a lessee.

(c) Each of Holdings, the Borrower and the Subsidiaries owns, or is licensed or otherwise permitted to use, all trademarks, trade names, copyrights, patents and other intellectual property material to its business, and the use thereof by Holdings, the Borrower and the Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(d) Schedule 3.05 sets forth the address of each real property that is owned or leased by the Borrower or any of the Subsidiaries as of the Effective Date after giving effect to the Transactions.

(e) As of the Effective Date, neither Holdings, the Borrower nor any of the Subsidiaries has received notice of, or has knowledge of, any pending or contemplated condemnation proceeding affecting any Mortgaged Property or any sale or disposition thereof in lieu of condemnation. Neither any Mortgaged Property nor any interest therein is subject to any right of first refusal, option or other contractual right to purchase such Mortgaged Property or interest therein.

SECTION 3.06. Litigation and Environmental Matters. (a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of Holdings or the Borrower, threatened against or affecting Holdings, the Borrower or any of the Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve any of the Loan Documents or the Transactions.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, none of Holdings, the Borrower or any of the Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability, including any on-site (at any current or former facilities) or off-site releases of Hazardous Materials.

(c) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or caused there to be a reasonable likelihood of, a Material Adverse Effect.

SECTION 3.07. Compliance with Laws and Agreements. Except as set forth in Schedule 3.07, each of Holdings, the Borrower and each of the Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

SECTION 3.08. Investment and Holding Company Status. None of Holdings, the Borrower or any of the Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.09. Taxes. Each of Holdings, the Borrower and each of the Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) any Taxes that are being contested in good faith by appropriate proceedings and for which Holdings, the Borrower or such Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than $500,000 the fair market value of the assets of such Plan, and the present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of all such underfunded Plans by an amount that would be reasonably likely to result in a Material Adverse Effect.

SECTION 3.11. Disclosure. The Borrower has disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which Holdings, the

Borrower or any of the Subsidiaries is subject, and all other matters known to any of them, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. Neither the Information Memorandum nor any of the other reports, financial statements, certificates or other information furnished by or on behalf of any Loan Party to the Agents or

any Lender in connection with the negotiation of this Agreement or any other Loan Document or delivered hereunder or thereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided that, with respect to projected financial information, Holdings and the Borrower represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 3.12. Subsidiaries. Holdings does not have any subsidiaries other than the Borrower and the Subsidiaries. Schedule 3.12 sets forth the name of, and the ownership interest of the Borrower in, each Subsidiary and identifies each Subsidiary that is a Subsidiary Loan Party, in each case as of the Effective Date.

SECTION 3.13. Insurance. Schedule 3.13 sets forth a description of all insurance maintained by or on behalf of the Borrower and the Subsidiaries as of the Effective Date. As of the Effective Date, all premiums in respect of such insurance that are due and payable have been paid.

SECTION 3.14. Labor Matters. As of the Effective Date, there are no strikes, lockouts or slowdowns against Holdings, the Borrower or any Subsidiary pending or, to the knowledge of Holdings or the Borrower, threatened. The hours worked by and payments made to employees of Holdings, the Borrower and the Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Federal, state, local or foreign law dealing with such matters, except where any such violations, individually or in the aggregate, would not be reasonably likely to result in a Material Adverse Effect. All material payments due from Holdings, the Borrower or any Subsidiary, or for which any claim may be made against Holdings, the Borrower or any Subsidiary, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of Holdings, the Borrower or such Subsidiary. The consummation of the Transactions will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which Holdings, the Borrower or any Subsidiary is bound.

SECTION 3.15. Solvency. Immediately after the consummation of the Transactions to occur on the Effective Date (including immediately following the making of each Loan made on the Effective Date and the giving of effect to the application of the proceeds of such Loans) and payment of the Transaction Costs to be paid on the Effective

Date, (a) the fair value of the assets of each Loan Party, at a fair valuation, will exceed its debts and liabilities, unsecured, contingent or otherwise; (b) the present fair saleable value of the property of each Loan Party will be greater than the amount that will be required to pay the probable liability of its debts and other liabilities, unsecured, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) each Loan Party will be able to pay its debts and liabilities, unsecured, contingent or otherwise, as such debts and liabilities become absolute and matured; and (d) each Loan Party will not have unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and is proposed to be conducted following the Effective Date.

SECTION 3.16. Security Documents. (a) The Pledge Agreement is

effective to create in favor of the Collateral Agent, for the ratable benefit of the Secured Parties, a legal, valid and enforceable security interest in the Collateral (as defined in the Pledge Agreement) and, when the Collateral is delivered to the Collateral Agent or financing statements are filed (covering certificated securities), the Pledge Agreement shall constitute a fully perfected first priority Lien on, and security interest in, all right, title and interest of the pledgor thereunder in such Collateral, in each case prior and superior in right to any other Person.

(b) The Security Agreement is effective to create in favor of the Collateral Agent, for the ratable benefit of the Secured Parties, a legal, valid and enforceable security interest in the Collateral (as defined in the Security Agreement) and, when financing statements in appropriate form are filed in the offices specified on Schedule 6 to the Perfection Certificate, the Security Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the grantors thereunder in such Collateral (other than the Intellectual Property (as defined in the Security Agreement), in each case prior and superior in right to any other Person, other than with respect to Liens expressly permitted by Section 6.02.

(c) When the Security Agreement is filed in the United States Patent and Trademark Office and the United States Copyright Office, the Security Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in the Intellectual Property (as defined in the Security Agreement) in which a security interest may be perfected by filing, recording or registering a security agreement, financing statement or analogous document in the United States Patent and Trademark Office or the United States Copyright Office, as applicable, in each case prior and superior in right to any other Person other than Liens expressly permitted by Section 6.02 (it being understood that subsequent recordings in the United States Patent and Trademark Office and the United States Copyright Office may be necessary to perfect a Lien on registered trademarks, trademark applications and copyrights acquired by the Loan Parties after the date hereof).

(d) The Mortgages are effective to create, subject to the exceptions listed in each title insurance policy covering such Mortgage, in favor of the Collateral Agent, for the ratable benefit of the Secured Parties, a legal, valid and enforceable Lien on all of the Loan Parties' right, title and interest in and to the Mortgaged Properties thereunder and the proceeds thereof, and when the Mortgages are filed in the appropriate offices, the Mortgages shall constitute a Lien on, and security interest in, all right, title and interest of the Loan Parties in such Mortgaged Properties and the proceeds thereof, in each case prior and superior in right to any other Person, other than with respect to the rights of Persons pursuant to Liens expressly permitted by Section 6.02.

SECTION 3.17. Federal Reserve Regulations. (a) Neither Holdings, the Borrower nor any of the Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock.

(b) No part of the proceeds of any Loan or any Letter of Credit will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose that entails a violation of, or that is inconsistent with, the provisions of the Regulations of the Board,

including Regulation T, U or X.

SECTION 3.18. Year 2000 Compliance. To the best of Holdings's and the Borrower's knowledge, any reprogramming required to permit the proper functioning, in and following the year 2000, of (a) the computer systems of the Borrower and its Subsidiaries and (b) equipment containing embedded microchips (including systems and equipment supplied by others or with which systems of the Borrower and its Subsidiaries interface) and the testing of all such systems and equipment, as so reprogrammed, will be completed in all material respects by September 30, 1999. To the best of Holdings's and the Borrower's knowledge, the cost to the Borrower and its Subsidiaries of such reprogramming and testing and of the reasonably foreseeable consequences of year 2000 to the Borrower and its Subsidiaries (including reprogramming errors and the failure of others' systems or equipment) will not result in a Default or a Material Adverse Effect.

ARTICLE IV

Conditions

SECTION 4.01. Effective Date. The obligations of the Lenders to make Loans, of the Swingline Lender to make Swingline Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) The Agents (or their counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Agents (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Agents shall have received a favorable written opinion (addressed to the Agents and the Lenders and dated the Effective Date) of each of (i) O'Sullivan Graev & Karabell, LLP, counsel for the Borrower, substantially in the form of Exhibit B, and (ii) local counsel in each jurisdiction where a Mortgaged Property is located, substantially in the form of Exhibit C, and, in the case of each such opinion required by this paragraph, covering such other matters relating to the Loan Parties, the Loan Documents or the Transactions as the Required Lenders shall reasonably request. The Borrower hereby requests such counsel to deliver such opinions.

(c) The Agents shall have received such documents and certificates as the Agents or their counsel may reasonably request relating to the organization, existence and good standing of each Loan Party, the authorization of the Transactions and any other legal matters relating to the Loan Parties, the Loan Documents or the Transactions, all in form and substance satisfactory to the Agents and their counsel.

(d) The Agents shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Borrower, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(e) The Agents shall have received all fees and other amounts

due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by any Loan Party hereunder or under any other Loan Document.

(f) The Agents shall have received counterparts of the Pledge Agreement signed on behalf of Holdings, the Borrower and each Subsidiary Loan Party which is a party thereto, and the Collateral Agent shall have received certificates representing all the outstanding Equity Interests of the Borrower and each Subsidiary or Joint Venture owned by or on behalf of any Loan Party as of the Effective Date after giving effect to the Transactions (except that stock certificates representing shares of common stock of a Foreign Subsidiary may be limited to 65% of the outstanding shares of common stock of such Foreign Subsidiary), promissory notes evidencing all intercompany Indebtedness owed to any Loan Party by the Borrower or any Subsidiary as of the Effective Date after giving effect to the Transactions and stock powers or other instruments of transfer reasonably satisfactory to the Agents, endorsed in blank, with respect to such certificates representing Equity Interests and promissory notes.

(g) The Agents shall have received counterparts of the Security Agreement signed on behalf of Holdings, the Borrower and each Subsidiary Loan Party, together with the following:

(i) all documents and instruments, including Uniform Commercial Code financing statements, required by law or reasonably requested by the Agents to be filed, registered or recorded to create or perfect the Liens intended to be created under the Security Agreement; and

(ii) a completed Perfection Certificate dated the Effective Date and signed by an executive officer or Financial Officer of the Borrower, together with all attachments contemplated thereby, including the results of a search of the Uniform Commercial Code (or equivalent) filings made with respect to the Loan Parties in the jurisdictions contemplated by the Perfection Certificate and copies of the financing statements (or similar documents) disclosed by such search and evidence reasonably satisfactory to the Agents that the Liens indicated by such financing statements (or similar documents) are permitted by Section 6.02 or have been released.

(h) The Agents shall have received (i) counterparts of the Mortgage with respect to the Mortgaged Property signed on behalf of the leasehold owner of the Mortgaged Property, (ii) a policy or policies of title insurance issued by a nationally recognized title insurance company, insuring the Lien of the Mortgage as a valid first Lien on the Mortgaged Property described therein, free of any other Liens except as permitted by Section 6.02, in form and substance reasonably acceptable to the Collateral Agent, together with such endorsements, coinsurance and reinsurance as the Collateral Agent or the Required Lenders may reasonably request, (iii) such surveys as may be required pursuant to the Mortgage or as the

Administrative Agent or the Required Lenders may reasonably request, (iv) a copy of the original permanent certificate or temporary certificate of occupancy as the same may have been amended or issued from time to time, covering each improvement located upon the Mortgaged Property, that was required to have been issued by the appropriate Governmental Authority for such improvement and (v) written confirmation from the applicable zoning commission or other appropriate Governmental Authority stating that with respect to the Mortgaged Property its current use complies with existing land use and zoning ordinances, regulations and restrictions applicable to the Mortgaged Property.

(i) The Administrative Agent shall have received (i) counterparts of the Parent Guarantee Agreement signed on behalf of Holdings, (ii) counterparts of the Subsidiary Guarantee Agreement signed on behalf of each Subsidiary Loan Party and (iii) counterparts of the Indemnity, Subrogation and Contribution Agreement signed on behalf of Holdings, the Borrower and each Subsidiary Loan Party.

(j) The Administrative Agent shall have received evidence satisfactory to it that the insurance required by Section 5.07 is in effect.

(k) The Recapitalization and the other Transactions shall be consummated simultaneously with the closing under the Loans in accordance with applicable law, the Recapitalization Agreement and all other related documentation (in each case without giving effect to any amendment or waiver not approved by the Agents) and on terms substantially consistent with those set forth in the preamble of this Agreement, and the Agents shall be satisfied that the Transaction Costs shall not exceed $9,915,000.

(l) The Borrower shall have received not less than (i) $100,000,000 in gross cash proceeds from the issuance of the Senior Subordinated Notes and (ii) $31,415,000 in gross cash proceeds from the issuance of the Preferred Units. The terms and conditions of the Senior Subordinated Notes and the Preferred Units (including in each case terms and conditions relating to the interest rate, fees, amortization, maturity, covenants, events of default and remedies) and the provisions of the Senior Subordinated Notes Indenture shall be satisfactory to the Agents.

(m) After giving effect to the Transactions and the other transactions contemplated hereby, Holdings, the Borrower and the Subsidiaries shall have outstanding no Indebtedness or preferred stock other than (i) the Loans, (ii) the Senior Subordinated Notes, (iii) the Preferred Units and (iv) the Indebtedness set forth on Schedule 6.01 or otherwise permitted pursuant to Section 6.01(a).

(n) There shall be no litigation or administrative proceeding that has had or is reasonably likely to have a Material Adverse Effect.

(o) The Agents shall have received a solvency letter, in form and substance and from an independent valuation firm reasonably satisfactory to the Agents, together with such other evidence reasonably requested by the Agents, confirming the solvency of Holdings, the Borrower and the Subsidiaries on a consolidated basis after giving effect to the Transactions and the other transactions contemplated hereby (including payment of the Transaction Costs).

(p) The consummation of the Transactions and the other transactions contemplated hereby (including payment of the Transaction Costs) shall not (a) violate any applicable material law, statute, rule or regulation or (b) violate or result in a Default under any material agreement of Holdings, the Borrower or any Subsidiary, and the Agents shall have received one or more legal opinions to such effect, satisfactory to the Agents, from counsel to the Borrower satisfactory to the Agents.

(q) All requisite material Governmental Authorities and third parties shall have approved or consented to the Transactions and the other transactions contemplated hereby (including payment of the Transaction Costs) to the extent required, and there shall be no governmental or judicial action, actual or threatened, that could reasonably be expected to restrain, prevent or impose burdensome conditions on the Transactions or the other transactions contemplated hereby (including payment of the Transaction Costs).

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans, of the Swingline Lender to make Swingline Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 9.02) at or prior to 3:00 p.m., New York City time, on June 30, 1999 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, of the Swingline Lender to make a Swingline Loan on the occasion of any Swingline Borrowing and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of each Loan Party set forth in the Loan Documents qualified as to materiality shall be true and correct and those not so qualified shall be true and correct in all material respects on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable, except to the extent such representations and warranties expressly relate to an earlier date in which case such representations and warranties shall be true and correct as of such earlier date.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

The making of a Loan on the occasion of each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by Holdings and the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

ARTICLE V

Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, each of Holdings and the Borrower covenants and agrees with the Lenders that:

SECTION 5.01. Financial Statements and Other Information. Each of Holdings and the Borrower will furnish to the Administrative Agent and each Lender:

(a) within 100 days after the end of each fiscal year of Holdings, its audited consolidated balance sheet and related statements of operations, members' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Ernst & Young or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of Holdings and its consolidated subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) within 50 days after the end of each of the first three fiscal quarters of each fiscal year of Holdings, its consolidated balance sheet and related statements of operations, members' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of Holdings and its consolidated subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) within 30 days after the end of each of (i) the five-week fiscal period ending on the date after the last day of the most recent fiscal quarter of Holdings then ended and (ii) the four-week fiscal period ended after such five-week fiscal period, its consolidated balance sheet and related statements of operations, members' equity and cash flows as of the end of and for such fiscal month and the then elapsed portion of the fiscal year, all certified by one of its Financial Officers as presenting in all material respects the financial condition and results of operations of Holdings and its consolidated subsidiaries on a consolidated basis in

accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(d) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of Holdings (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Sections 6.12, 6.13 and 6.14 and (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the Borrower's audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(e) concurrently with any delivery of financial statements under clause (a) above, a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default (which certificate may be limited to the extent required by accounting rules or guidelines);

(f) not later than 15 days following the commencement of each fiscal year of the Borrower, a detailed consolidated budget for such fiscal year (including a projected consolidated balance sheet and related projected statements of operations and cash flow, including projections of Consolidated EBITDA detailed on a quarterly basis, as of the end of and for such fiscal year) and, promptly when available, the final version of such budget and any significant revisions thereto;

(g) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by Holdings, the Borrower or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of such Commission, or with any national securities exchange, as the case may be; and

(h) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of Holdings, the Borrower or any Subsidiary, or compliance with the terms of any Loan Document, as the Agents or any Lender may reasonably request.

SECTION 5.02. Notices of Material Events. Holdings and the Borrower will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or, to the knowledge of an executive officer of Holdings or the Borrower, affecting Holdings, the Borrower or any Affiliate thereof that could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together

with any other ERISA Events that have occurred, could reasonably be expected to result in liability of Holdings, the Borrower and the Subsidiaries in an aggregate amount exceeding $1,000,000; and

(d) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Information Regarding Collateral. (a) The Borrower will furnish to the Administrative Agent prompt written notice of any change (i) in any Loan Party's legal name or in any trade name used to identify it in the conduct of its business or in the ownership of its properties, (ii) in the location of any Loan Party's chief executive office, its principal place of business, any office in which it maintains books or records relating to Collateral owned by it or any office or facility at which Collateral owned by it with an aggregate book value in excess of $250,000 is located (including the establishment of any such new office or facility), (iii) in any Loan Party's identity or corporate structure (within the meaning of the Uniform Commercial Code (as defined in the Security Agreement)) or (iv) in any Loan Party's Federal Taxpayer Identification Number. Each of Holdings and the Borrower agrees not to effect or permit any change referred to in the preceding sentence unless all filings have been made under the Uniform Commercial Code or otherwise that are required in order for the Administrative Agent to continue at all times following such change to have a valid, legal and perfected security interest in all the Collateral. The Borrower also agrees promptly to notify the Administrative Agent if Collateral with a fair market value in excess of $250,000 is damaged in any material respect or destroyed.

(b) Each year, at the time of delivery of annual financial statements with respect to the preceding fiscal year pursuant to clause (a) of Section 5.01, the Borrower shall deliver to the Administrative Agent a certificate of a Financial Officer of the Borrower (i) setting forth the information required pursuant to the Perfection Certificate or confirming that there has been no change in such information since the date of the Perfection Certificate delivered on the Effective Date or the date of the most recent certificate delivered pursuant to this Section. Each certificate delivered pursuant to this Section 5.03(b) shall identify in the format of Schedule II, III, IV or V of the Security Agreement, all registered Intellectual Property of any Loan Party in existence on the date thereof and not then listed on such Schedules or previously so identified.

SECTION 5.04. Existence; Conduct of Business. Each of Holdings and the Borrower will, and will cause each of the Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges, franchises, patents, copyrights, trademarks and trade names material to the conduct of its business, provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.03.

SECTION 5.05. Payment of Obligations. Each of Holdings and the Borrower will, and will cause each of the Subsidiaries to, pay (a) all material Taxes and other charges of any Governmental Authority imposed on it or any of

its properties or assets or in respect of any of its franchises, business, income or property before any

material penalty or interest accrues thereon and (b) all claims (including claims for labor, services, materials and supplies) for sums that have become due and payable and that by law have or may become a Lien (other than a Lien permitted under Section 6.02) upon any of the property or assets of Holdings, the Borrower or any of its Subsidiaries, prior to the time when any penalty or fine shall be incurred with respect thereto, except where (i) the validity or amount thereof is being contested in good faith by appropriate proceedings, (ii) Holdings, the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP, (iii) such contest effectively suspends collection of the contested obligation and the enforcement of any Lien securing such obligation and (iv) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.06. Maintenance of Properties. Each of Holdings and the Borrower will, and will cause each of the Subsidiaries to, keep and maintain all property material to the conduct of its business in reasonable working order and condition, ordinary wear and tear excepted.

SECTION 5.07. Insurance. (a) Each of Holdings and the Borrower will, and will cause each of the Subsidiaries to, at all times maintain in full force and effect, with financially sound and reputable insurance companies (i) adequate insurance for its insurable properties, all to such extent and against such risks, including fire, casualty and other risks insured against by extended coverage, as is customary with companies of the same or similar size in the same or similar businesses operating in the same or similar locations, (ii) such other insurance as is required pursuant to the terms of any Security Document and (iii) liability and other insurance in at least such amounts and against at least such risks as are usually insured against by companies in the same or similar businesses, and in each case, will furnish to the Lenders, upon written request from the Administrative Agent, information presented in reasonable detail as to the insurance so carried.

SECTION 5.08. Casualty and Condemnation. (a) The Borrower will furnish to the Administrative Agent and the Lenders prompt written notice of any casualty or other insured damage to any portion of any Collateral with a fair market value in excess of $250,000 or the commencement of any action or proceeding for the taking of any Collateral or any part thereof or interest therein under power of eminent domain or by condemnation or similar proceeding.

(b) If any event described in paragraph (a) of this Section results in Net Proceeds (whether in the form of insurance proceeds, condemnation award or otherwise), the Administrative Agent is authorized to collect such Net Proceeds and, if received by Holdings, the Borrower or any Subsidiary, such Net Proceeds shall be paid over to the Administrative Agent, provided that (i) if the aggregate Net Proceeds in respect of such event (other than proceeds of business income insurance) are less than $250,000, such

Net Proceeds shall be paid over to the Borrower unless a Default has occurred and is continuing, and (ii) all proceeds of business income insurance shall be paid over to the Borrower unless a Default has occurred and is continuing. All such Net Proceeds retained by or paid over to the Administrative Agent shall be held by the Administrative Agent and released from time to time to pay the costs of repairing, restoring or replacing the affected property or funding expenditures for assets in the same business or any Related Business, in each case in accordance with the terms of the applicable Security Document, subject to the provisions of the applicable Security Document regarding application of such Net Proceeds during a Default.

(c) If any Net Proceeds retained by or paid over to the Administrative Agent as provided above continue to be held by the Administrative Agent on the date that is 18 months after the receipt of such Net Proceeds, then such Net Proceeds shall be applied to prepay Term Borrowings as provided in Section 2.11(b).

SECTION 5.09. Books and Records; Inspection and Audit Rights. Each of Holdings and the Borrower will, and will cause each of the Subsidiaries to, keep proper books of record and account in which full, true and correct entries in all material respects are made of all dealings and transactions in relation to its business and activities. Each of Holdings and the Borrower will, and will cause each of the Subsidiaries to, permit any representatives designated by the Agents or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

SECTION 5.10. Compliance with Laws. Each of Holdings and the Borrower will, and will cause each of the Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.11. Use of Proceeds and Letters of Credit. The proceeds of the Loans and each Letter of Credit will be used only for the purposes set forth in the preamble of this Agreement. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations T, U and X.

SECTION 5.12. Additional Subsidiaries. If any additional Subsidiary is formed or acquired after the Effective Date, the Borrower will notify the Administrative Agent and the Lenders thereof and (a) if such Subsidiary is a Subsidiary Loan Party, the Borrower will cause such Subsidiary to become a party to the Subsidiary Guarantee Agreement, the Indemnity, Subrogation and Contribution Agreement and each applicable

Security Document in the manner provided therein within three Business Days after such Subsidiary is formed or acquired and promptly take such actions to create and perfect Liens on such Subsidiary's assets to secure the Obligations as the Administrative Agent or the Required Lenders shall reasonably request

and (b) if any Equity Interests or Indebtedness of such Subsidiary are owned by or on behalf of any Loan Party, the Borrower will cause such Equity Interests and promissory notes evidencing such Indebtedness to be pledged pursuant to the Pledge Agreement within three Business Days after such Subsidiary is formed or acquired (except that, if such Subsidiary is a Foreign Subsidiary, shares of voting common stock of such Subsidiary to be pledged pursuant to the Pledge Agreement may be limited to 65% of the outstanding shares of voting common stock of such Subsidiary).

SECTION 5.13. Further Assurances. (a) Each of Holdings and the Borrower will, and will cause each Subsidiary Loan Party to, execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), that may be required under any applicable law, or which the Administrative Agent or the Required Lenders may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created by the Security Documents or the validity or priority of any such Lien, all at the expense of the Loan Parties. Holdings and the Borrower also agree to provide to the Administrative Agent, from time to time upon request, evidence reasonably satisfactory to the Administrative Agent as to the perfection and priority of the Liens created or intended to be created by the Security Documents.

(b) If any material assets (including any real property or improvements thereto (other than any individual real property or improvements with a fair market value not in excess of $250,000, provided that the aggregate fair market value of all real property or improvements excluded pursuant to this parenthetical shall in no event exceed $250,000 in the aggregate) or any interest therein other than leasehold interests in real property) are acquired by Holdings, the Borrower or any Subsidiary Loan Party after the Effective Date (other than assets constituting Collateral under the Security Agreement that become subject to the Lien of the Security Agreement upon acquisition thereof), the Borrower will notify the Administrative Agent and the Lenders thereof, and, if requested by the Administrative Agent or the Required Lenders, the Borrower will cause such assets to be subjected to a Lien securing the Obligations and will take, and cause the Subsidiary Loan Parties to take, such actions as shall be necessary or reasonably requested by the Administrative Agent to grant and perfect such Liens, including actions described in paragraph (a) of this Section, all at the expense of the Loan Parties.

ARTICLE VI

Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, each of Holdings and the Borrower covenants and agrees with the Lenders that:

SECTION 6.01. Indebtedness; Certain Equity Securities. (a) The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Indebtedness, except:

(i) Indebtedness created under the Loan Documents;

(ii) the Senior Subordinated Notes and the Guarantees thereof;

(iii) Indebtedness existing on the date hereof and set forth in Schedule 6.01 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof or result in an earlier final maturity date or decreased weighted average life thereof;

(iv) Indebtedness of the Borrower to any Subsidiary and of any Subsidiary to the Borrower or any other Subsidiary, provided that Indebtedness of any Subsidiary that is not a Loan Party to the Borrower or any Subsidiary Loan Party shall be subject to Section 6.04;

(v) Guarantees by the Borrower of Indebtedness of any Subsidiary and by any Subsidiary of Indebtedness of the Borrower or any other Subsidiary, provided that Guarantees by the Borrower or any Subsidiary Loan Party of Indebtedness of any Subsidiary that is not a Loan Party shall be subject to Section 6.04;

(vi) Indebtedness of the Borrower or any Subsidiary incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including Capital Lease Obligations and any Indebtedness assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof, and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof or result in an earlier final maturity date or decreased weighted average life thereof, provided that (A) such Indebtedness is incurred prior to or within 180 days after such acquisition or the completion of such construction or improvement and

(B) the aggregate principal amount of Indebtedness permitted by this clause (vi) shall not exceed $7,500,000 at any time outstanding;

(vii) Indebtedness of any Person that becomes a Subsidiary after the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof, provided that (A) such Indebtedness exists at the time such Person becomes a Subsidiary and is not created in contemplation of or in connection with such Person becoming a Subsidiary and (B) the aggregate principal amount of Indebtedness permitted by this clause (vii) shall not exceed $7,500,000 at any time outstanding;

(viii) unsecured Indebtedness not otherwise permitted hereunder in an aggregate principal amount not exceeding $7,500,000 at any time outstanding;

(ix) Indebtedness under Hedging Agreements entered into in accordance with Section 6.07;

(x) Indebtedness with respect to letters of credit, surety, appeal and performance bonds obtained by Holdings, the Borrower or any of its Subsidiaries in the ordinary course of business;

(xi) Indebtedness arising from the honoring by a bank or other

financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within five Business Days of its incurrence; and

(xii) unsecured Indebtedness of the Borrower or any Subsidiary, that is subordinated to the Obligations, assumed or incurred in connection with any Permitted Acquisition, provided that (A) the provisions subordinating such Indebtedness to the Obligations are reasonably satisfactory in all respects to the Agents, (B) the terms of such Indebtedness shall not provide for any maturity, amortization, sinking fund payment, mandatory redemption or other required repayment or repurchase of such Indebtedness (other than any required offer to repay or repurchase (x) with asset sale proceeds pursuant to customary arrangements providing that the Borrower or such Subsidiary, as the case may be, may (in lieu of making such offer) repay Indebtedness under this Agreement or (y) pursuant to "change of control" provisions that are no more restrictive than the analogous provisions contained in this Agreement), in each case prior to the Term Maturity Date (C) the covenants and events of default relating to such Indebtedness shall be no more restrictive than those contained in this Agreement and (D) the aggregate principal amount of such Indebtedness shall not exceed $10,000,000 in the aggregate at any time outstanding, provided further that,

notwithstanding clause (D) above, the aggregate principal amount of such Indebtedness incurred by the Subsidiaries that are not Subsidiary Loan Parties shall not exceed $2,500,000 in the aggregate at any time outstanding;

(b) Holdings will not create, incur, assume or permit to exist any Indebtedness, except:

(i) Indebtedness created under the Loan Documents;

(ii) unsecured Guarantees by Holdings of Indebtedness of the Borrower or any Subsidiary permitted by clause (xii) of paragraph (a) of this Section that are subordinated to the Obligations, provided that (A) provisions subordinating such Guarantees to the Obligations are reasonably satisfactory in all respects to the Agents, (B) the terms of such Guarantees and the related Indebtedness shall not provide for any maturity, amortization, sinking fund payment, mandatory redemption or other required repayment or repurchase of such Indebtedness (other than any required offer to repay or repurchase (x) with asset sale proceeds pursuant to customary arrangements providing that the Borrower or such Subsidiary, as the case may be, may (in lieu of making such offer) repay Indebtedness under this Agreement or (y) pursuant to "change of control" provisions that are no more restrictive than the analogous provisions contained in this Agreement), in each case prior to the Term Maturity Date, (C) the covenants and events of default relating to such Guarantees and the related Indebtedness shall be no more restrictive than those contained in this Agreement and (D) the aggregate principal amount of such Guarantees shall not exceed $10,000,000 in the aggregate at any time outstanding, provided further that, notwithstanding clause (D) above, the aggregate principal amount of such Indebtedness incurred by the Subsidiaries that are not Subsidiary Loan Parties shall not exceed

$2,500,000 in the aggregate at any time outstanding; and

(iii) unsecured Indebtedness of Holdings, that is subordinated to the Obligations, incurred in connection with the repurchase of Equity Interests of Holdings or options to acquire Equity Interests of Holdings to the extent such Restricted Payments are permitted pursuant to Section 6.08(a) (iii) at the time of incurrence of such Indebtedness in an aggregate principal amount not to exceed in any fiscal year of Holdings $2,000,000 or $5,000,000 at any time outstanding, provided that (A) the provisions subordinating such Indebtedness to the Obligations are reasonably satisfactory in all respects to the Agents, (B) the terms of such Indebtedness shall not provide for any maturity, amortization, sinking fund payment, mandatory redemption or other required repayment or repurchase of such Indebtedness, in each case prior to the Term Maturity Date and (C) the

covenants and events of default relating to such Indebtedness shall be no more restrictive than those contained in this Agreement.

(c) Neither Holdings nor the Borrower will, nor will they permit any Subsidiary to, issue any preferred Equity Interests (other than the Preferred Units), or be or become liable in respect of any obligation (contingent or otherwise) to purchase, redeem, retire, acquire or make any other payment in respect of any Equity Interests of Holdings, the Borrower or any Subsidiary (provided that Holdings may be required to repurchase or redeem the Preferred Units to the extent required to do so by the Holdings Operating Agreement (as in effect on the Effective Date)) or any option, warrant or other right to acquire any such Equity Interests, except that Holdings may issue preferred Equity Interests as financing for or otherwise in connection with any Permitted Acquisition, provided that (A) the terms of such preferred Equity Interests shall not provide for any amortization, sinking fund payment, mandatory redemption, other required repayment or repurchase of, or other Restricted Payment with respect to, such preferred Equity Interests (other than any required offer to repay or repurchase pursuant to "change of control" provisions that are no more restrictive than the analogous provisions contained in this Agreement and Restricted Payments permitted by Section 6.08(a)(ii)), in each case prior to the Term Maturity Date and (B) any covenants and events of default relating to such preferred Equity Interests shall be no more restrictive than those relating to the Preferred Units contained in the Holding Operating Agreement as in effect on the Effective Date.

SECTION 6.02. Liens. (a) The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(i) Liens created under the Loan Documents;

(ii) Permitted Encumbrances;

(iii) any Lien on any property or asset of the Borrower or any Subsidiary existing on the date hereof and set forth in Schedule 6.02, provided that (A) such Lien shall not apply to any other property or asset of the Borrower or any Subsidiary except assets then being financed solely by the same financing source and (B) except as permitted under clause (D)

of clause (v) of this Section, such Lien shall secure only those obligations that it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(iv) any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any Subsidiary or existing on any property or asset of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary, provided that (A) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (B) such Lien shall not apply to any other property or assets of the Borrower or any Subsidiary except assets then being financed solely by the same financing source and (C) except as permitted under clause (D) of clause (v) of this Section, such Lien shall secure only those obligations that it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(v) Liens on fixed or capital assets acquired, constructed or improved by the Borrower or any Subsidiary and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof, provided that (A) such security interests secure Indebtedness permitted by clause (vi) of Section 6.01(a), (B) such security interests and the Indebtedness secured thereby are incurred prior to or within 12 months after such acquisition or the completion of such construction or improvement, (C) the Indebtedness secured thereby does not exceed 100% of the cost of acquiring, constructing or improving such fixed or capital assets and other fixed or capital assets then being financed solely by the same financing source and (D) such security interests shall not apply to any other property or assets of the Borrower or any Subsidiary except assets then being financed solely by the same financing source;

(vi) Liens (other than those permitted by paragraphs (i) through (v) above) securing liabilities permitted hereunder in an aggregate amount not exceeding $1,000,000 at any time outstanding; and

(vii) leases and subleases of real property and tangible personal property and licenses and sublicenses of intellectual property rights, in each case granted in the ordinary course of business and not interfering individually or in the aggregate (with all such licenses and subleases being taken as a whole) in any material respect with the conduct of the business of the Borrower and the Subsidiaries.

(b) Holdings will not create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect thereof, except Liens created under any of the Security Documents and Permitted Encumbrances.

SECTION 6.03. Fundamental Changes. (a) Holdings and the Borrower will not and will not permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing (i) any Subsidiary may merge into the Borrower in a transaction in which the Borrower is the surviving corporation, (ii) any Subsidiary may merge into any Subsidiary Loan Party in a transaction in which the surviving entity is a Subsidiary Loan Party, (iii) any Subsidiary that is not a Loan Party may merge into any Subsidiary that is not a Loan Party, (iv) any Subsidiary may merge into any other Person that becomes a Subsidiary Loan Party in connection with a Permitted Acquisition, (v) any Subsidiary may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders and (vi) the Merger Subsidiary may merge with Holdings if (A) the Merger Subsidiary is a wholly owned subsidiary of Holdings at the time of such merger, (B) the Merger Subsidiary is the surviving entity in such merger and (C) the consolidated net worth of the Merger Subsidiary following such merger is equal to or greater than that of Holdings immediately prior to such merger; provided, that, in each case, any such merger involving a Person that is not a wholly owned Subsidiary immediately prior to such merger shall not be permitted unless also permitted by Section 6.04.

(b) Holdings will not engage in any business or activity other than the ownership of all the outstanding Equity Interests of the Borrower and activities incidental thereto; provided, that Holdings may form immediately prior to a merger permitted by Section 6.03(a)(vi) a subsidiary (the "Merger Subsidiary") that is a corporation organized under the laws of the United States of America, any State thereof or the District of Columbia for the sole purpose of merging Holdings into such Merger Subsidiary in accordance with, and to the extent permitted by, Section 6.03(a)(vi). Holdings will not own or acquire any assets (other than Equity Interests of the Borrower and the Merger Subsidiary, cash and Permitted Investments and other assets incidental to maintaining its existence and ownership of the foregoing assets) or incur any liabilities (other than liabilities under the Loan Documents, liabilities under certain employment agreements and other written employment arrangements, liabilities in respect of the Preferred Units, liabilities imposed by law, including Tax liabilities, and other liabilities incidental to its existence and permitted business and activities).

SECTION 6.04. Investments, Loans, Advances, Guarantees and Acquisitions. (a) The Borrower will not, and will not permit any of the Subsidiaries to, purchase, hold or acquire (including pursuant to any merger with any Person that was not a wholly owned Subsidiary prior to such merger) any Equity Interests, evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, Guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit, except, subject to clause (b) hereof:

(i) Permitted Investments;

(ii) Permitted Acquisitions;

(iii) investments existing on the date hereof and set forth on Schedule 6.04, to the extent such investments would not be permitted under any other clause of this Section;

(iv) investments by the Borrower in the Equity Interests of the Subsidiaries, provided that (A) any such Equity Interests shall be pledged pursuant to the Pledge Agreement (subject to the limitations applicable to voting common stock of a Foreign Subsidiary referred to in Section 5.12) and (B) the amount of investments by the Borrower in Subsidiaries that are not Loan Parties shall not exceed $1,500,000 in the aggregate at any time outstanding;

(v) loans or advances made by the Borrower to any Subsidiary and made by any Subsidiary to the Borrower or any other Subsidiary, provided that (A) any such loans and advances made by a Loan Party shall be evidenced by a promissory note pledged pursuant to the Pledge Agreement and (B) the aggregate amount outstanding at any time of all such loans and advances by Loan Parties to Subsidiaries that are not Loan Parties shall not exceed the greater of (I) $2,500,000 or (II) the aggregate amount paid (including any Indebtedness assumed in connection therewith) in connection with all Permitted Acquisitions involving assets located outside the United States of America or the Equity Interests of entities organized outside the United States of America from and after the date hereof (but not in excess of $10,000,000 during the term of this Agreement);

(vi) Guarantees constituting Indebtedness permitted by Section 6.01, provided that the aggregate amount outstanding at any time of Indebtedness that is (A) outstanding with respect to Subsidiaries that are not Loan Parties and

(B) Guaranteed by any Loan Party shall not exceed the greater of (I) $2,500,000 or (II) the aggregate amount paid (including any Indebtedness assumed in connection therewith) in connection with all Permitted Acquisitions involving assets located outside the United States of America or the Equity Interests of entities organized outside the United States of America from and after the date hereof (but not in excess of $10,000,000 during the term of this Agreement);

(vii) loans or advances to employees, officers, directors or consultants of the Borrower and the Subsidiaries in their capacity as such, in an aggregate principal amount not to exceed $1,500,000 at any time outstanding except that loans to employees, officers, directors or consultants for the purpose of acquiring Equity Interests in Holdings the Net Proceeds of which Equity Interests are contributed to the capital of the Borrower or used to acquire Equity Interests in the Borrower shall not be subject to such limit;

(viii) Hedging Agreements permitted under Section 6.07;

(ix) investments in Joint Ventures in an aggregate amount not to exceed $3,000,000 at any time outstanding;

(x) investments (including Equity Interests, obligations or

other securities) received in connection with a bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with, a debtor, arising in each case in the ordinary course of business;

(xi) extensions of trade credit in the ordinary course of business;

(xii) investments constituting non-cash proceeds of any sale, transfer or other disposition permitted by Section 6.05;

(xiii) investments of any Person existing at the time such Person becomes a Subsidiary or at the time such Person merges or consolidates with the Borrower or any of its Subsidiaries, in either case in compliance with the terms of this Agreement, provided that such investments were not made by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Subsidiary or such merger or consolidation;

(xiv) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business; and

(xv) other investments in an aggregate amount not to exceed $1,000,000 at any time outstanding.

(b) Notwithstanding anything to the contrary contained in this Agreement, the Borrower will not, and will not permit any of the Subsidiaries to, make any investments (by way of any loan, guarantee, capital contribution to, or purchase of stock, bonds, notes or other securities of or any assets constituting a business unit of, any Person or otherwise) outside the Permitted Business in an aggregate amount in excess of $5,000,000 during the term of this Agreement.

SECTION 6.05. Asset Sales. The Borrower will not, and will not permit any of the Subsidiaries to, sell, transfer, lease or otherwise dispose of any asset, including Equity Interests (other than any such sale, transfer, lease or other disposition resulting from any casualty or condemnation of any assets of the Borrower or any of its Subsidiaries), nor will the Borrower permit any of its Subsidiaries to issue any additional Equity Interests, except:

(a) sales of inventory, used or surplus tangible personal property and Permitted Investments in the ordinary course of business;

(b) sales, transfers and dispositions to the Borrower or a Subsidiary, provided that any such sales, transfers or dispositions involving a Subsidiary that is not a Loan Party shall be made in compliance with Section 6.09;

(c) any sale and lease-back transaction permitted pursuant to Section 6.06; and

(d) sales, transfers and dispositions of assets (other than Equity Interests of a Subsidiary) that are not permitted by any other clause of this Section, provided that the aggregate fair market value of

all assets sold, transferred or otherwise disposed of in reliance upon this clause (d) shall not exceed $5,000,000 during any fiscal year of the Borrower,

provided that all sales, transfers, leases and other dispositions permitted hereby shall be made for fair value (as determined in good faith by the Board Managers, or if Holdings is then a corporation, its Board of Directors, in the case of any such sale, transfer, lease or other disposition in one or more related transactions for consideration in excess of $500,000) and for consideration at least 80% of which is (i) cash, (ii) in the form of properties or assets to be owned by the Borrower or any Subsidiary Loan Party for use in a Permitted Business or (iii) voting Equity Interests in one or more Persons engaged in a Permitted Business that are to become Subsidiary Loan Parties in connection with such transaction (provided that such transaction is a Permitted Acquisition). For purposes of

this Section 6.05, the following shall be deemed to be cash: (a) the assumption of any liabilities of the Borrower or any Subsidiary Loan Party with respect to, and the release of the Borrower or such Subsidiary Loan Party from all liability in respect of, any Indebtedness of the Borrower or the Subsidiaries permitted hereunder (in the amount of such Indebtedness) in connection with a sale, transfer, lease or other disposition permitted under Section 6.05 and (b) securities received by the Borrower or any Subsidiary Loan Party from the transferee that are immediately convertible into cash without breach of their terms or the agreement pursuant to which they were purchased and that are promptly converted by the Borrower or such Subsidiary Loan Party into cash.

SECTION 6.06. Sale and Lease-Back Transactions. The Borrower will not, and will not permit any of its Subsidiaries to, enter into any arrangement, directly or indirectly, with any Person whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property which it intends to use for substantially the same purpose or purposes as the property being sold or transferred except for any such sale (made in connection with the corresponding lease-back of the relevant asset) of any fixed or capital assets acquired (or the construction of which is completed) after the Effective Date that is made for cash consideration in an amount not less than the cost of such fixed or capital asset and is consummated within 180 days after the Borrower or such Subsidiary acquires or completes the construction of such fixed or capital asset.

SECTION 6.07. Hedging Agreements. The Borrower will not, and will not permit any of the Subsidiaries to, enter into any Hedging Agreement, other than Hedging Agreements entered into in the ordinary course of business to hedge or mitigate risks to which the Borrower or any Subsidiary is exposed in the conduct of its business or the management of its liabilities.

SECTION 6.08. Restricted Payments; Certain Payments of Indebtedness. (a) Holdings and the Borrower will not, and will not permit any Subsidiary to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except:

(i) (A) for so long as each of Holdings and the Borrower is treated as a pass-through entity for United States Federal income Tax purposes, each of Holdings and the Borrower may make Tax Distributions,

(B) in the event that Holdings is not treated as a pass-through entity for United States Federal income Tax purposes, the Borrower may make dividends or distributions to Holdings in amounts equal to amounts required for Holdings to pay United States Federal, state and local income Taxes to the extent such income Taxes are attributable to the income of the Borrower and its consolidated Subsidiaries and (C) in the event that (I) Holdings is treated as a pass-through entity for United States Federal income Tax purposes and (II) the Borrower is not treated as a pass-through entity

for United States Federal income Tax purposes, Holdings may make Tax Distributions;

(ii) Holdings may make distributions with respect to its Equity Interests payable solely in additional Equity Interests of Holdings (other than preferred Equity Interests except to the extent permitted by 6.01(c));

(iii) to the extent that no Default or Event of Default has occurred or is continuing or would be continuing after giving effect to such Restricted Payment, Holdings may repurchase or acquire its Equity Interests on the terms and subject to the limitations of, and only to the extent of any payment received under, clause (B) of paragraph (v) (or, to the extent permitted by Section 6.01(b)(iii), from the proceeds of the incurrence of subordinated Indebtedness of Holdings on the terms and subject to the limitations of clause (B) of paragraph (v));

(iv) Subsidiaries may declare and pay dividends ratably with respect to their Equity Interests; and

(v) the Borrower may make Restricted Payments to Holdings (but with respect to clause (B) below, only if no Default or Event of Default has occurred and is continuing or would be continuing after giving effect to such Restricted Payment) with respect to:

(A) payments, the proceeds of which shall be applied by Holdings directly to pay out-of-pocket expenses, for administrative, legal and accounting services provided by third parties that are reasonable and customary and incurred in the ordinary course of business for such professional services, or to pay franchise fees and similar costs and other customary costs and expenses of being a public company; provided, however, any such expenses shall not exceed an aggregate amount of $500,000 per fiscal year;

(B) payments, the proceeds of which will be used to repurchase Equity Interests of Holdings owned by former employees of the Borrower and its Subsidiaries or their assigns, estates and heirs, at a price not in excess of fair market value determined in good faith by the Board Managers (or if Holdings is then a corporation, the Board of Directors of Holdings), in an aggregate amount not in excess of $2,000,000 per annum, net of the proceeds received by Holdings as a result of any resales of any such Equity Interests plus any unused amounts from any immediately preceding fiscal year, provided that the aggregate amount of all such payments shall not exceed $5,000,000 during the term of this Agreement,

net of the proceeds received by Holdings as a result of any resales of any such Equity Interests;

(C) payments, the proceeds of which will be used to pay any purchase price adjustment that the Borrower is required to pay to the Existing Shareholder in connection with the Recapitalization pursuant to Article III of the Recapitalization Agreement as in effect on the Effective Date; and

(D) payments, the proceeds of which will be used to pay fees in accordance with the terms of the Management Agreement in an aggregate amount not to exceed $250,000 during any fiscal year of the Borrower.

(b) Holdings and the Borrower will not, and will not permit any Subsidiary to, make or agree to pay or make, directly or indirectly, any payment or other distribution (whether in cash securities or other property) of or in respect of principal of or interest on any Indebtedness, or any payment or other distribution (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancelation or termination of any Indebtedness, except:

(i) payment of Indebtedness created under the Loan Documents;

(ii) payment of regularly scheduled interest and principal payments as and when due in respect of any Indebtedness permitted pursuant to Section 6.01(a);

(iii) refinancings of Indebtedness to the extent permitted by Section 6.01; and

(iv) payment of secured Indebtedness that becomes due as a result of any transfer not prohibited by this Agreement of the property or assets securing such Indebtedness.

SECTION 6.09. Transactions with Affiliates. Holdings and the Borrower will not, and will not permit any Subsidiary to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) transactions in the ordinary course of business that are at prices and on terms and conditions not less favorable to the Borrower or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties (as determined in good faith by members of the Board of Managers having a majority of the voting power held by all disinterested members of the Board of Managers or if Holdings is then a corporation, by a majority of the Board of Directors of Holdings having a majority of the voting power

held by all disinterested members of the Board of Directors of Holdings), (b)

transactions between or among the Borrower and the Subsidiary Loan Parties not involving any other Affiliate, (c) any Restricted Payment permitted by Section 6.08, (d) reasonable fees and compensation paid to, and indemnity provided on behalf of, officers, directors, employees, consultants or agents of Holdings, the Borrower or any Subsidiary as determined in good faith by the Board of Managers (or if Holdings is then a corporation, the Board of Directors of Holdings), (e) any transactions undertaken pursuant to any contractual obligations in existence on the Effective Date (as in effect on the Effective Date) and set forth on Schedule 6.09, (f) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, options to purchase Equity Interests of Holdings and equity ownership or participation plans approved by the Board of Managers (or if Holdings is then a corporation, its Board of Directors), (g) the grant of options (and the exercise thereof) to purchase Equity Interests of Holdings or similar rights to employees and directors of Holdings or the Borrower pursuant to plans approved by the Board of Managers (or if Holdings is then a corporation, its Board of Directors), (h) loans or advances to officers, directors or employees in the ordinary course of business permitted by Section 6.04(a)(vii), (i) the provision by Persons who may be deemed Affiliates or stockholders of Holdings or the Borrower (other than Sponsor and Person Controlled by Sponsor) of investment banking, commercial banking, trust, lending or financing, investment underwriting, placement agent, financial advisory or similar services to Holdings, the Borrower or any Subsidiary, (j) (i) the existence or performance by the Borrower or any Subsidiary under any agreement as in effect as of the Effective Date or any amendment thereto or replacement agreement therefor or any transaction contemplated thereby (including pursuant to any amendment thereto or replacement agreement therefor) so long as such amendment or replacement is not more disadvantageous to the interests of the Lender in any material respect than the original agreement as in effect on the Effective Date and (ii) the execution, delivery and performance of the consulting agreement dated as of June 30, 1999, among Holdings, the Borrower and Charles T. Orsatti, provided that the amount payable to Mr. Orsatti pursuant to such agreement shall not exceed $250,000 during any fiscal year of the Borrower, (k) any tax sharing agreement or payments pursuant thereto among the Borrower and any Subsidiary and any other Person with which the Borrower or any Subsidiary is or could be part of a consolidated group for tax purposes, which payments are not in excess of the tax liabilities attributable solely to the Borrower and Subsidiaries (as a consolidated group), and (l) any contribution to the capital of the Borrower by Holdings or any purchase of Equity Interests of the Borrower by Holdings.

SECTION 6.10. Restrictive Agreements. Holdings and the Borrower will not, and will not permit any Subsidiary to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of Holdings, the Borrower or any Subsidiary to create, incur

or permit to exist any Lien upon any of its property or assets, or (b) the ability of any Subsidiary to pay dividends or other distributions with respect to any class or series of its Equity Interests or to make or repay loans or advances to the Borrower or any other Subsidiary or to Guarantee Indebtedness of the Borrower or any other Subsidiary, provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by any Loan Document, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 6.10 (but shall apply to any extension or renewal of, or any amendment or modification that, taken as a

whole with any simultaneous amendment or modification of any such restriction or condition, expands the scope of, any such restriction or condition), (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary or any property or assets of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) clause (a) of this Section shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness, (v) clause (a) of this Section shall not apply to customary provisions in leases, licenses and similar contracts restricting the subletting, assignment or transfer thereof, or any property or asset the subject thereof, (vi) clause (a) of this Section shall not apply to customary provisions in Joint Venture agreements and other similar agreements entered into by the Borrower or any Subsidiary in the ordinary course of business and (vii) clause (a) of this Section shall not apply to net worth provisions in leases and other agreements entered into by the Borrower or any Subsidiary in the ordinary course of business.

SECTION 6.11. Amendment of Material Documents. (a) Holdings and the Borrower will not, and will not permit any Subsidiary to, amend, modify or waive any of its rights under or with respect to (i) their respective certificates of formation, limited liability company agreement (including the Holdings Operating Agreement and the Borrower Operating Agreement), certificates of incorporation, by-laws or other organizational documents, (ii) the Management Agreement, (iii) the Recapitalization Agreement, (iv) the Preferred Units, (v) the Senior Subordinated Notes or the Senior Subordinated Notes Indenture or (vi) the Members' Agreement, in each case other than amendments, modifications or waivers that would not reasonably be expected to adversely affect the interests of the Lenders (it being understood that if any question should arise as to the possible adverse nature of any such amendment, modification or waiver, Holdings or the Borrower may consult with the Agents and the Agents shall be entitled (but shall not be obligated) to determine, on behalf of the Lenders, whether such amendment, modification or waiver would violate this Section 6.11). Holdings and the Borrower will deliver to each Lender a copy of each such permitted amendment, modification or waiver promptly after the effectiveness thereof.

SECTION 6.12. Capital Expenditures. (a) The Borrower will not permit the aggregate amount of Capital Expenditures made by the Borrower and the Subsidiaries in any fiscal year to exceed the amount set forth below opposite such year, provided that if the Borrower or any consolidated Subsidiary has made any Permitted Acquisition or any sale, transfer, lease or other disposition of assets outside of the ordinary course of business permitted by Section 6.05 during the period of four consecutive fiscal quarters ending on any date during any fiscal year set forth below, the amount set forth below opposite such year shall be adjusted from and after the date of consummation of such Permitted Acquisition, sale, transfer, lease or other disposition of assets (i) by multiplying such amount, without giving effect to any increase thereto pursuant to paragraph (c) below, (the "Base Capex Amount") by the fraction of which the numerator is equal to Consolidated EBITDA for the four-fiscal-quarter period of the Borrower ending with the most recent fiscal quarter then ended (as adjusted in accordance with the second sentence of the definition of the term "Consolidated EBITDA" to give effect to such Permitted Acquisition, sale, transfer, lease or other disposition of assets) and the denominator of which is equal to budgeted Consolidated EBITDA for the same

four-fiscal-quarter period of the Borrower, as set forth in the budgets delivered pursuant to Section 5.01(f) (other than any revisions delivered after the delivery of the budget for any year) and (ii) with respect to any Permitted Acquisition or any sale, transfer, lease or other disposition of assets outside of the ordinary course of business that is consummated in the same fiscal year in respect of which any adjustment pursuant to the preceding clause (i) is being made, subtracting from the amount calculated in accordance with the preceding clause (i) (the "Pro Forma Capex Amount") (or in the event that the Pro Forma Capex Amount is less than the Base Capex Amount, adding to the Pro Forma Capex Amount) an amount equal to (A) the portion of the excess of the Pro Forma Capex Amount over the Base Capex Amount attributable to such Permitted Acquisition, sale, transfer, lease or other disposition of assets (or in the event that the Pro Forma Capex Amount is less than the Base Capex Amount, the portion of the difference between the Pro Forma Capex Amount and the Base Capex Amount attributable to such Permitted Acquisition, sale, transfer, lease or other disposition of assets) multiplied by (B) the fraction of which the numerator is the number of days from and including the date such Permitted Acquisition, sale, transfer, lease or other disposition of assets is consummated to and including December 31 and the numerator of which is 365.

<TABLE>
<CAPTION>

Fiscal Year Ending	Amount
<S>	<C>
1999	$7,000,000
2000	$5,800,000
2001	$5,800,000

</TABLE>

<TABLE>

<S>	<C>
2002	$5,800,000
2003	$5,800,000
2004	$5,800,000

</TABLE>

(b) Notwithstanding the foregoing paragraph (a), in the event that the amount of Capital Expenditures permitted to be made by the Borrower and its Subsidiaries pursuant to paragraph (a) in any fiscal year is greater than the amount of Capital Expenditures made by the Borrower and its Subsidiaries during such fiscal year, 75% of such excess may be carried forward and utilized in the immediately succeeding fiscal year (it being understood and agreed that (i) no amount may be carried forward beyond the year immediately succeeding the fiscal year in which it arose and (ii) no portion of the carry-forward amount available in any fiscal year may be used until the entire amount of Capital Expenditures permitted to be made in such fiscal year (without giving effect to such carry-forward amount) shall have been made).

(c) In the event that the Borrower or any Subsidiary makes any Capital Expenditures in connection with the construction or acquisition of any Location and the Borrower or any of its Subsidiaries consummates a sale and lease-back transaction with respect to such Location within 180 days after the earlier of (i) completion of the construction of such Location and (ii) receipt of the certificate of occupancy with respect thereto, the amount of Capital Expenditures set forth in paragraph (a) for the fiscal year of the Borrower in which the Borrower or its Subsidiaries receive the Net Proceeds from such sale and lease-back transaction shall be increased by an amount equal to the lesser of (A) the amount of such Net Proceeds or (B) the amount of Capital Expenditures made with respect to such Location during the same and all prior fiscal years ending on or after December 31, 1999.

(d) In addition to the Capital Expenditures permitted pursuant to paragraph (a) of this Section 6.12, the Borrower and the Subsidiaries may make additional Capital Expenditures (which shall not be counted towards the amounts set forth in paragraph (a) of this Section 6.12) consisting of the investment of cumulative Excess Cash Flow generated during fiscal years ending on or after December 31, 1999 and not required to be applied pursuant to Section 2.11(c), provided that any prepayments required by Section 2.11(c) shall have been made. No portion of the amounts for Capital Expenditures available in any fiscal year under this paragraph (d) may be used until the entire amount of Capital Expenditures permitted to be made in such fiscal year pursuant to paragraphs (a), (b) and (c) of this Section shall have been made.

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SECTION 6.13. Leverage Ratio. The Borrower will not permit the Leverage Ratio as of any date during any period set forth below to be in excess of the ratio set forth below opposite such period:

<TABLE>
<CAPTION>

Period	Ratio
<S>	<C>
December 31, 1999 through June 29, 2000	5.75
June 30, 2000 through December 30, 2000	5.50
December 31, 2000 through December 30, 2001	5.00
December 31, 2001 through December 30, 2002	4.50
December 31, 2002 through December 30, 2003	4.00
December 31, 2003 and thereafter	3.50

</TABLE>

SECTION 6.14. Consolidated Interest Coverage Ratio. The Borrower will not permit the Consolidated Interest Coverage Ratio for any four-fiscal-quarter period ending during any period set forth below to be less than the ratio set forth below opposite such period:

<TABLE>
<CAPTION>

Period	Ratio

<S>	<C>
December 31, 1999 through December 30, 2000	1.50
December 31, 2000 through December 30, 2001	1.60
December 31, 2001 through December 30, 2002	1.80
December 31, 2002 through December 30, 2003	2.10
December 31, 2003 and thereafter	2.50

</TABLE>

SECTION 6.15. Changes in Fiscal Periods . Each of Holdings and the Borrower will not, and will not permit any Subsidiary to, change its fiscal year or its method of determining fiscal quarters without the prior written approval of the Agents.

ARTICLE VII

Events of Default

If any of the following events ("Events of Default") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement or any other Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three Business Days;

(c) any representation or warranty made or deemed made by or on behalf of Holdings, the Borrower or any Subsidiary in or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, shall prove to have been incorrect, or in the case of any representation or warranty not qualified as to materiality, incorrect in any material respect, when made or deemed made;

(d) Holdings or the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, 5.04 (with respect to the existence of Holdings or the Borrower) or 5.11 or in Article VI;

(e) any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in any Loan Document (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after written notice thereof from the Administrative Agent to the Borrower (which notice

will be given at the request of any Lender);

(f) Holdings, the Borrower or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable, including any applicable grace period;

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity, provided that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of, or casualty or condemnation affecting, the property or assets securing such Indebtedness;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of Holdings, the Borrower or any Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Holdings, the Borrower or any Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) Holdings, the Borrower or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Holdings, the Borrower or any Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) Holdings, the Borrower or any Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(k) one or more judgments for the payment of money in an aggregate amount in excess of $1,000,000 shall be rendered against Holdings, the Borrower, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor

to attach or levy upon any assets of Holdings, the Borrower or any Subsidiary to enforce any such judgment;

(l) an ERISA Event shall have occurred that, in the reasonable opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in liability of Holdings, the Borrower or any Subsidiary or any combination thereof in an aggregate amount exceeding (i) $500,000 in any year or (ii) $1,000,000 for all periods;

(m) any Lien purported to be created under any Security Document shall cease to be, or shall be asserted by any Loan Party not to be, a valid and perfected Lien on any Collateral with a fair market value in excess of $500,000, with the priority required by the applicable Security Document, except (i) as a result of the sale or other disposition of the applicable Collateral in a transaction permitted under the Loan Documents or (ii) as a result of the Administrative Agent's failure to maintain possession of any stock certificates, promissory notes or other instruments delivered to it under the Pledge Agreement; or

(n) a Change of Control shall occur;

then, and in every such event (other than an event with respect to the Borrower described in clause(h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

ARTICLE VIII

The Administrative Agent

Each of the Lenders and the Issuing Bank hereby irrevocably

appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with Holdings, the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth in the Loan Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to Holdings, the Borrower or any of the Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall not be deemed to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by Holdings, the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (a) any statement, warranty or representation made in or in connection with any Loan Document, (b) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (c) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (d) the validity, enforceability, effectiveness or genuineness of any

Loan Document or any other agreement, instrument or document or (e) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult

with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all of its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of each Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor the Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Bank and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with the consent of the Borrower (such consent not to be unreasonably withheld), to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Administrative Agent that shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Administrative Agent,

its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or related agreement or any document furnished hereunder or thereunder.

ARTICLE IX

Miscellaneous

SECTION 9.01. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to Holdings or the Borrower, to it at 2985 Scott Street, Vista, California 92083, Attention of Chief Financial Officer (Telecopy No. 760-734-3536) with a copy to Chase Capital Partners, 380 Madison Avenue - 12th Floor, New York, NY 10017, Attention of John Daileader (Telecopy No. 212-622-3101);

(b) if to the Administrative Agent or the Collateral Agent, to First Union National Bank, Syndication Agency Services, One First Union Center, 4th Floor, 301 South College Street, Charlotte, NC 28288-0680, Attention of Kevin Stephens (Telecopy No. 704-383-0288) with a copy to Paul Solitario (Telecopy No. 704-383-9144);

(c) if to the Issuing Bank, to The Chase Manhattan Bank, 55 Water Street, 17th Floor, Room 1708, New York, New York 10041, Attention of Standby LC Department (Telecopy No. 212-363-5656) with a copy to The Chase Manhattan Bank, 270 Park Avenue, New York, New York 10017, Attention of Stephen Rochford (Telecopy No. 212-270-3279);

(d) if to the Swingline Lender, to The Chase Manhattan Bank, Loan and Agency Services Group, One Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention of Concetta Prainito (Telecopy No. 212-552-7500) with a copy to The Chase Manhattan Bank, 270 Park Avenue, New York, New York 10017, Attention of Stephen Rochford (Telecopy No. 212-270-3279); and

(e) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 9.02. Waivers; Amendments. (a) No failure or delay by any Agent, the Issuing Bank, the Swingline Lender or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Agents, the Issuing Bank, the Swingline Lender and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific

instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether any Agent, any Lender, the Swingline Lender or the Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any other Loan Document nor any provision hereof or thereof may be waived, amended or modified except, in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by Holdings, the Borrower and the Required Lenders or, in the case of any other Loan Document, pursuant to an agreement or agreements in writing entered into by the Administrative Agent (or, if applicable, the Collateral Agent) and the Syndication Agent and the Loan Party or Loan Parties that are parties thereto, in each case with the consent of the Required Lenders, provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected

thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) change any of the provisions of this Section or the definition of the term "Required Lenders" or any other provision of any Loan Document specifying the number or percentage of Lenders (or Lenders of any Class) required to waive, amend or modify any rights thereunder or make any determination or grant any consent thereunder, without the written consent of each Lender (or each Lender of such Class, as the case may be), (vi) release Holdings or any Subsidiary Loan Party from its Guarantee under the applicable Guarantee Agreement (except as expressly provided in such Guarantee Agreement), or limit its liability in respect of such Guarantee, without the written consent of each Lender, (vii) release all or substantially all of the Collateral from the Liens of the Security Documents, without the written consent of each Lender, except for any Collateral sold or otherwise transferred in accordance with the terms of this Agreement, or (viii) change the allocation among the Lenders of any optional or mandatory prepayments of the Loans set forth in Sections 2.10(d) and 2.11(e) without the written consent of each Lender affected thereby and provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, the Collateral Agent, the Syndication Agent, the Swingline Lender or the Issuing Bank without the prior written consent of the Administrative Agent, the Collateral Agent, the Syndication Agent, the Swingline Lender or the Issuing Bank, as the case may be.

SECTION 9.03. Expenses; Indemnity; Damage Waiver. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent, the Collateral Agent, the Syndication Agent and their respective Affiliates (other than Sponsor and Person Controlled by Sponsor), including the reasonable fees, charges and disbursements of counsel for the Agents, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of the Loan Documents or any amendments, modifications or waivers of the provisions thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all

reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder, and (iii) all out-of-pocket expenses incurred by the Administrative Agent, the Collateral Agent, the Syndication Agent, the Issuing Bank, the Swingline Lender or any Lender, including the reasonable fees, charges and disbursements of any counsel for the Administrative Agent, the Collateral Agent, the Syndication Agent, the Issuing Bank, the Swingline Lender or any Lender, in connection with the enforcement or protection of its rights in connection with the Loan Documents, including its rights under this Section, or in connection with the Loans made or Letters of

Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Borrower shall indemnify the Administrative Agent, the Collateral Agent, the Syndication Agent, the Issuing Bank, the Swingline Lender and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any other agreement or instrument contemplated hereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby (including payment of the Transaction Costs), (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any Mortgaged Property or any other property currently or formerly owned or operated by Holdings, the Borrower or any of the Subsidiaries, or any Environmental Liability related in any way to Holdings, the Borrower or any of the Subsidiaries or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by a final and non-appealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee or any Affiliate of such Indemnitee (or of any officer, director, employee, advisor or agent of such Indemnitee) or to the extent such damages constitute special, indirect or consequential damages (as opposed to direct or actual damages), and provided, further, that, for purposes of the foregoing proviso, The Chase Manhattan Bank and its Affiliates (other than Sponsor and Persons Controlled by Sponsor) shall not be deemed to be Affiliates of Sponsor or any Person Controlled by Sponsor.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent, the Collateral Agent, the Syndication Agent, the Issuing Bank or the Swingline Lender under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, the Syndication Agent, the Collateral Agent, the Issuing Bank or the Swingline Lender, as the case may be, such Lender's pro rata share

(determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as

the case may be, was incurred by or asserted against the Administrative Agent, the Collateral Agent, the Syndication Agent, the Issuing Bank or the Swingline Lender in its capacity as such. For purposes hereof, a Lender's "pro rata share" shall be determined based upon its share of the sum of the total Revolving Exposures, outstanding Term Loans and unused Commitments at the time.

(d) To the extent permitted by applicable law, Holdings and the Borrower shall not assert, and each hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, payment of the Transaction Costs, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 9.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that each of Holdings and the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by Holdings or the Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Collateral Agent, the Syndication Agent, the Issuing Bank, the Swingline Lender and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it), provided that (i) except in the case of an assignment to a Lender or an Affiliate of a Lender, each of the Borrower and the Administrative Agent (and, in the case of an assignment of all or a portion of a Revolving Commitment or any Lender's obligations in respect of its LC Exposure or Swingline Exposure, the Issuing Bank and the Swingline Lender) must give their prior written consent to such assignment (which consent shall not be unreasonably withheld or delayed), (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans, the amount of the Commitment or Loans of the assigning Lender subject to

each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, except that this clause (iii) shall not be construed to prohibit the assignment of a proportionate part of all the assigning Lender's rights and obligations in respect of one Class of Commitments or Loans, (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of $3,500, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire, and provided further that any consent of the Borrower otherwise required under this paragraph shall not be required if an Event of Default under clause (h) or (i) of Article VII has occurred and is continuing. Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in Charlotte, North Carolina a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and Holdings, the Borrower, the Administrative Agent, the Issuing Bank, the Swingline Lender and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Issuing Bank, the Swingline Lender and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed

Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph

(b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of the Borrower, the Administrative Agent, the Issuing Bank or the Swingline Lender, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it), provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall be solely responsible for any withholding Taxes or any filing or reporting requirements relating to such Participant and (iv) Holdings, the Borrower, the Administrative Agent, the Issuing Bank, the Swingline Lender and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce the Loan Documents and to approve any amendment, modification or waiver of any provision of the Loan Documents, provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso (other than clause (vii) thereof) to Section 9.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.18(c) as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.15, 2.16 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless this restriction is waived by the Borrower.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest,

provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that any Agent, the

Issuing Bank, the Swingline Lender or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent or the Syndication Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and the Syndication Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the

invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender may have.

SECTION 9.09. GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

(b) Each of Holdings and the Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to any Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto 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 in this Agreement or any other Loan Document shall affect any right that the Administrative Agent, the Issuing Bank, the Swingline Lender or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against Holdings, the Borrower or its properties in the courts of any jurisdiction.

(c) Each of Holdings and the Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby

irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Agents, the Issuing Bank, the Swingline Lender and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors, and to any

direct or indirect contractual counterparty in swap agreements or to such contractual counterparty's professional advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, provided that, to the extent reasonably practicable and not prohibited by applicable laws or regulations or by any judicial or administrative order, such Person will provide the Borrower with prior notice of such disclosure, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or

proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to any Agent, the Issuing Bank, the Swingline Lender or any Lender on a nonconfidential basis from a source other than Holdings or the Borrower. For the purposes of this Section, the term "Information" means all information received from Holdings or the Borrower relating to Holdings or the Borrower or its business, other than any such information that is available to any Agent, the Issuing Bank, the Swingline Lender or any Lender on a nonconfidential basis prior to disclosure by Holdings or the Borrower. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts that are treated as interest on such Loan under applicable law (collectively, the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") that may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

DJ ORTHOPEDICS LLC,

by
/ s / Cyril Talbot III

Name: Cyril Talbot III
Title: VP, CFO, and Secretary

DONJOY, L.L.C.,

by
/ s / Cyril Talbot III

Name: Cyril Talbot III
Title: VP, CFO, and Secretary

FIRST UNION NATIONAL BANK,
individually and as Administrative Agent and
Collateral Agent,

by
/ s / J. Matt MacIver Jr.

Name: J. Matt MacIver Jr.
Title: Vice President

THE CHASE MANHATTAN BANK,
individually and as Syndication Agent, Issuing Bank
and Swingline Lender,

by
/ s / Stephen P. Rochford

Name: Stephen P. Rochford
Title: Vice President

AMSOUTH BANK,

by
/ s / Joseph B. Hutson

Name: Joseph B. Huston
Title: Attorney-In-Law

BANK AUSTRIA
CREDITANSTALT CORPORATE

FINANCE, INC,

by
/ s / Greg Roux

Name: Greg Roux
Title: Vice President

by
/ s / Jack R. Bertges

Name: Jack R. Bertges
Title: Senior Vice President

BANKBOSTON, N.A.,

by
/ s / Christopher J. Wickles

Name: Christopher J. Wickles
Title: Vice President

BANK LEUMI USA,

by
/ s / Del Lorimer

Name: Del Lorimer
Title: VP/MGR Corporate Finance

FLEET CAPITAL
CORPORATION,

by
/ s / Mark D. Newlun

Name: Mark D. Newlun
Title: Senior Vice President

FIRST SECURITY BANK, N.A.,

by
/ s / Richard I. Polver

Name: Richard I. Polver
Title: Executive Vice President

THE PROVIDENT BANK,
by
/ s / Thomas W. Doe

Name: Thomas W. Doe
Title: Vice President

PROVIDENT BANK OF MARYLAND,

by
/ s / Jennifer D. Patton

Name: Jennifer D. Patton
Title: Assistant Vice President

EXHIBIT 10.12

INDEMNITY, SUBROGATION and CONTRIBUTION AGREEMENT dated as of June 30, 1999, among DJ ORTHOPEDICS, LLC, a Delaware limited liability company (the "Borrower"), each subsidiary of the Borrower listed on Schedule I hereto (the "Guarantors") and FIRST UNION NATIONAL BANK ("First Union"), as collateral agent (in such capacity, the "Collateral Agent") for the Secured Parties (as defined in the Credit Agreement referred to below).

Reference is made to (a) the Credit Agreement dated as of June 30, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, DONJOY, L.L.C., a Delaware limited liability company, the lenders from time to time party thereto (the "Lenders"), First Union, as administrative agent for the Lenders (in such capacity, the "Administrative Agent") and Collateral Agent, and THE CHASE MANHATTAN BANK, as Syndication Agent and as issuing bank (in such capacity, the "Issuing Bank"), and (b) the Subsidiary Guarantee Agreement dated as of June 30, 1999 between the Guarantors and the Collateral Agent (the "Subsidiary Guarantee Agreement"). Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The Lenders have agreed to make Loans to the Borrower, and the Issuing Bank has agreed to issue Letters of Credit for the account of the Borrower, pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. The Guarantors have guaranteed such Loans and the other Obligations (as defined in the Subsidiary Guarantee Agreement) of the Borrower under the Credit Agreement pursuant to the Subsidiary Guarantee Agreement; certain Guarantors have granted Liens on and security interests in certain of their assets to secure such guarantees. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit are conditioned on, among other things, the execution and delivery by the Borrower and the Guarantors of an agreement in the form hereof.

Accordingly, the Borrower, each Guarantor and the Collateral Agent agree as follows:

SECTION 1. Indemnity and Subrogation. In addition to all such rights of indemnity and subrogation as the Guarantors may have under applicable law (but subject to Section 3), the Borrower agrees that (a) in the event a payment shall be made by any Guarantor under the Subsidiary Guarantee Agreement, (i) the Borrower shall indemnify such Guarantor for the full amount of such payment and (ii) such Guarantor shall be subrogated to the rights of the Person to whom

such payment shall have been made to the extent of such payment and (b) in the event any assets of any Guarantor shall be sold pursuant to any Security Document to satisfy a claim of any Secured Party, the Borrower shall indemnify such Guarantor in an amount equal to the greater of (i) the book value of the assets so sold and (ii) the fair market value of the assets so sold.

SECTION 2. Contribution and Subrogation. Each Guarantor (a "Contributing Guarantor") agrees (subject to Section 3) that, in the event a payment shall be made by any other Guarantor under the Subsidiary Guarantee Agreement or assets of any other Guarantor shall be sold pursuant to any Security Document to satisfy a claim of any Secured Party and such other Guarantor (the "Claiming Guarantor") shall not have been fully indemnified by the Borrower as provided in Section 1, the Contributing Guarantor shall indemnify the Claiming Guarantor in an amount equal to the amount of such payment or the greater of (i) the book value of the assets so sold and (ii) the fair market value of such assets, as the case may be, in each case multiplied by a fraction of which the numerator shall be the net worth of the Contributing Guarantor on the date hereof and the denominator shall be the aggregate net worth of all the Guarantors on the date hereof (or, in the case of any Guarantor becoming a party hereto pursuant to Section 12, the date of the Supplement hereto executed and delivered by such Guarantor). Any Contributing Guarantor making any payment to a Claiming Guarantor pursuant to this Section 2 shall be subrogated to the rights of such Claiming Guarantor under Section 1 to the extent of such payment.

SECTION 3. Subordination. Notwithstanding any provision of this Agreement to the contrary, all rights of the Guarantors under Sections 1 and 2 and all other rights of indemnity, contribution or subrogation under applicable law or otherwise shall be fully subordinated to the indefeasible payment in full in cash of the Obligations. No failure on the part of the Borrower or any Guarantor to make the payments required by Sections 1 and 2 (or any other payments required under applicable law or otherwise) shall in any respect limit the obligations and liabilities of any Guarantor with respect to its obligations hereunder, and each Guarantor shall remain liable for the full amount of the obligations of such Guarantor hereunder.

SECTION 4. Termination. Subject to the provisions of the last sentence of Section 8 of this Agreement, this Agreement shall survive and be in full force and effect so long as any Obligation is outstanding and has not been indefeasibly paid in full in cash, and so long as the LC Exposure has not been reduced to zero or any of the Commitments under the Credit Agreement have not been terminated, and shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any

Obligation is rescinded or must otherwise be restored by any Secured Party or any Guarantor upon the bankruptcy or reorganization of the Borrower, any Guarantor or otherwise.

SECTION 5. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND

CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. No Waiver; Amendment. (a) No failure on the part of the Collateral Agent or any Guarantor to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy by the Collateral Agent or any Guarantor preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law. None of the Collateral Agent or any of the Guarantors shall be deemed to have waived any rights hereunder unless such waiver shall be in writing and signed by such parties.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into among the Borrower, the Guarantors and the Collateral Agent, with the prior written consent of the Required Lenders (except as otherwise provided in the Credit Agreement).

SECTION 7. Notices. All communications and notices hereunder shall be in writing and given as provided in the Subsidiary Guarantee Agreement and addressed as specified therein.

SECTION 8. Binding Agreement; Assignments. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of the parties that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns. Neither the Borrower nor any Guarantor may assign or transfer any of its rights or obligations hereunder (and any such attempted assignment or transfer shall be void) without the prior written consent of the Required Lenders. Notwithstanding the foregoing, at the time any Guarantor is released from its obligations under the Subsidiary Guarantee Agreement in accordance with such Subsidiary Guarantee Agreement and the Credit Agreement, such Guarantor will cease to have any rights or obligations under this Agreement.

SECTION 9. Survival of Agreement; Severability. (a) All covenants and agreements made by the Borrower and each Guarantor herein and in the certificates or

other instruments prepared or delivered in connection with this Agreement or the other Loan Documents shall be considered to have been relied upon by the Collateral Agent, the other Secured Parties and each Guarantor and shall survive the making by the Lenders of the Loans and the issuance of the Letters of Credit by the Issuing Bank, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loans or any other fee or amount payable under the Credit Agreement or this Agreement or under any of the other Loan Documents is outstanding and unpaid or the LC Exposure does not

equal zero and as long as the Commitments have not been terminated.

(b) In the event any one or more of the provisions contained in this Agreement or in any other Loan Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 10. Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement shall be effective with respect to any Guarantor when a counterpart bearing the signature of such Guarantor shall have been delivered to the Collateral Agent. Delivery of an executed signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Agreement.

SECTION 11. Rules of Interpretation. The rules of interpretation specified in Section 1.03 of the Credit Agreement shall be applicable to this Agreement.

SECTION 12. Additional Guarantors. Pursuant to Section 5.12 of the Credit Agreement, the Borrower is required to cause each Subsidiary that was not in existence or not such a Subsidiary on the date of the Credit Agreement to enter into the Subsidiary Guarantee Agreement as a Subsidiary Guarantor upon becoming such a Subsidiary that is a Subsidiary Loan Party. Upon execution and delivery, after the date hereof, by the Collateral Agent and such a Subsidiary of an instrument in the form of Annex 1 hereto, such Subsidiary shall become a Guarantor hereunder with the same force and effect as if originally named as a Guarantor hereunder. The execution and delivery of any instrument adding an additional Guarantor as a party to this Agreement shall not require the consent of any Guarantor hereunder. The rights and obligations of each Guarantor hereunder shall remain in full force and effect notwithstanding the addition of any new Guarantor as a party to this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be

executed by their duly authorized officers as of the date first appearing above.

DJ ORTHOPEDICS, LLC,

by /s/ Cyril Talbot III

Title: V.P., CFO and Secretary

DJ ORTHOPEDICS CAPITAL CORPORATION, as a Guarantor,

by /s/ Cyril Talbot III

Title: V.P., CFO and Secretary

FIRST UNION NATIONAL BANK, as Collateral Agent,

by /s/ J. Matt Maclver, Jr.

Title: Vice President

Schedule I to
the Indemnity, Subrogation and
Contribution Agreement

<TABLE>
<CAPTION>

Subsidiary Guarantor	Address
<S>	<C>
DJ Orthopedics Capital Corporation	2985 Scott Street Vista, California 92083

</TABLE>

Annex 1 to

SUPPLEMENT NO. dated as of , to the Indemnity, Subrogation and Contribution Agreement dated as of June 30, 1999 (as the same may be amended, supplemented or otherwise modified from time to time, the "Indemnity, Subrogation and Contribution Agreement"), among DJ ORTHOPEDICS, LLC, a Delaware limited liability company (the "Borrower"), each Subsidiary of the Borrower listed on Schedule I thereto (the "Guarantors"), and FIRST UNION NATIONAL BANK ("First Union"), as collateral agent (the "Collateral Agent") for the Secured Parties (as defined in the Credit Agreement referred to below).

A. Reference is made to (a) the Credit Agreement dated as of June 30, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, DONJOY, L.L.C., a Delaware limited liability company, the lenders from time to time party thereto (the "Lenders"), First Union, as administrative agent for the Lenders (in such capacity, the "Administrative Agent") and Collateral Agent, and THE CHASE MANHATTAN BANK, as Syndication Agent and as issuing bank (in such capacity, the "Issuing Bank"), and (b) the Subsidiary Guarantee Agreement dated as of June 30, 1999, among the Guarantors and the Collateral Agent (the "Subsidiary Guarantee Agreement").

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Indemnity, Subrogation and Contribution Agreement and the Credit Agreement.

C. The Borrower and the Guarantors have entered into the Indemnity, Subrogation and Contribution Agreement in order to induce the Lenders to make Loans and the Issuing Bank to issue Letters of Credit. Pursuant to Section 5.12 of the Credit Agreement, each Subsidiary that was not in existence or not such a Subsidiary on the date of the Credit Agreement is required to enter into the Subsidiary Guarantee Agreement as a Guarantor upon becoming a Subsidiary that is a Subsidiary Loan Party. Section 12 of the Indemnity, Subrogation and Contribution Agreement provides that additional Subsidiaries of the Borrower may become Guarantors under the Indemnity, Subrogation and Contribution Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "New Guarantor") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Guarantor under the Indemnity, Subrogation and Contribution Agreement in order to induce the Lenders to make additional Loans and the Issuing Bank to issue

additional Letters of Credit and as consideration for Loans previously made and Letters of Credit previously issued.

Accordingly, the Collateral Agent and the New Guarantor agree as follows:

SECTION 1. In accordance with Section 12 of the Indemnity, Subrogation and Contribution Agreement, the New Guarantor by its signature below becomes a Guarantor under the Indemnity, Subrogation and Contribution Agreement with the same force and effect as if originally named therein as a Guarantor and the New Guarantor hereby agrees to all the terms and provisions of the Indemnity, Subrogation and Contribution Agreement applicable to it as a Guarantor thereunder. Each reference to a "Guarantor" in the Indemnity, Subrogation and Contribution Agreement shall be deemed to include the New Guarantor. The Indemnity, Subrogation and Contribution Agreement is hereby incorporated herein by reference.

SECTION 2. The New Guarantor represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 3. This Supplement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Guarantor and the Collateral Agent. Delivery of an executed signature page to this Supplement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. Except as expressly supplemented hereby, the Indemnity, Subrogation and Contribution Agreement shall remain in full force and effect.

SECTION 5. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. In the event any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein and in the Indemnity, Subrogation and Contribution Agreement shall not in any way be affected or impaired (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. All communications and notices hereunder shall be in writing and given as provided in Section 7 of the Indemnity, Subrogation and Contribution Agreement. All communications and notices hereunder to the New Guarantor shall be given to it care of the Borrower.

SECTION 8. The New Guarantor agrees to reimburse the Collateral Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, other charges and disbursements of counsel for the Collateral Agent.

IN WITNESS WHEREOF, the New Guarantor and the Collateral Agent have duly executed this Supplement to the Indemnity, Subrogation and Contribution Agreement as of the day and year first above written.

[Name Of New Guarantor],

by
Name:
Title:
Address:

FIRST UNION NATIONAL BANK, as
Collateral Agent,

by

Name:
Title:

EXHIBIT 10.13

PARENT GUARANTEE AGREEMENT dated as of June 30, 1999, between DONJOY, L.L.C., a Delaware limited liability company (the "Guarantor"), and FIRST UNION NATIONAL BANK ("First Union"), as collateral agent (the "Collateral Agent") for the Secured Parties (as defined in the Credit Agreement referred to below).

Reference is made to the Credit Agreement dated as of June 30, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among DJ ORTHOPEDICS, LLC, a Delaware limited liability company (the "Borrower"), the Guarantor, the lenders from time to time party thereto (the "Lenders"), First Union, as administrative agent for the Lenders (in such capacity, the "Administrative Agent") and Collateral Agent, and THE CHASE MANHATTAN BANK, as Syndication Agent and as issuing bank (in such capacity, the "Issuing Bank"). Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The Lenders have agreed to make Loans to the Borrower, and the Issuing Bank has agreed to issue Letters of Credit for the account of the Borrower, pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. As the owner of all of the issued and outstanding membership interests of the Borrower, the Guarantor acknowledges that it will derive substantial benefit from the making of Loans by the Lenders and the issuance of Letters of Credit by the Issuing Bank. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit are conditioned on, among other things, the execution and delivery by the Guarantor of a Parent Guarantee Agreement in the form hereof. As consideration therefor and in order to induce the Lenders to make Loans and the Issuing Bank to issue Letters of Credit, the Guarantor is willing to execute this Agreement.

Accordingly, the parties hereto agree as follows:

SECTION 1. Guarantee. The Guarantor unconditionally and irrevocably guarantees (the "Guarantee"), as a primary obligor and not merely as a surety, (a) the due and punctual payment by the Borrower of (i) the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether such interest is allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (ii) each payment required to be made by the Borrower under the Credit Agreement in respect of any Letter of

Credit, when and as due, including payments in respect of reimbursement of disbursements, interest thereon and obligations to provide cash collateral, and (iii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether such monetary obligations are allowed or allowable in such proceeding), of the Borrower to the Secured Parties under the Credit Agreement and the other Loan Documents, (b) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Borrower under or pursuant to the Credit Agreement and the other Loan Documents, (c) the due and punctual payment and performance of all the covenants, agreements, obligations and liabilities of each other Loan Party under or pursuant to this Agreement and the other Loan Documents and (d) the due and punctual payment of all obligations of Holdings, the Borrower and any Subsidiary Loan Party under each Hedging Agreement entered into with any counterparty that was a Lender (or an Affiliate of a Lender) at the time such Hedging Agreement was entered into (all the monetary and other obligations described in the preceding clauses (a) through (d) being collectively called the "Obligations"). The Guarantor further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon the Guarantee notwithstanding any extension or renewal of any Obligation.

SECTION 2. Obligations Not Waived. To the fullest extent permitted by applicable law, the Guarantor waives presentment to, demand of payment from and protest to the Borrower of any of the Obligations, and also waives notice of acceptance of the Guarantee and notice of protest for nonpayment. To the fullest extent permitted by applicable law, the obligations of the Guarantor hereunder shall not be affected by (a) the failure of the Collateral Agent or any other Secured Party to assert any claim or demand or to enforce or exercise any right or remedy against the Borrower or any other guarantor of the Obligations under the provisions of the Credit Agreement, any other Loan Document or otherwise, (b) any rescission, waiver, amendment or modification of, or any release from any of the terms or provisions of, this Agreement, any other Loan Document, any Guarantee or any other agreement, including with respect to any other guarantor of the Obligations under this Agreement, or (c) the

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failure to perfect any security interest in, or the release of, any of the security held by or on behalf of the Collateral Agent or any other Secured Party.

SECTION 3. Security. The Guarantor authorizes the Collateral Agent and each of the other Secured Parties to (a) take and hold security for the payment

of the Guarantee and the Obligations and exchange, enforce, waive and release any such security, (b) apply such security and direct the order or manner of sale thereof as they in their sole discretion may determine and (c) release or substitute any one or more endorsees, other guarantors or other obligors. To the extent that security is given for the payment of this Guarantee or the Obligations, the Guarantor authorizes the Collateral Agent and the Lenders to apply such security and direct the order or manner of sale thereof as they in their sole discretion may determine. The Guarantor further authorizes the Collateral Agent to release or substitute any one or more endorsees, other guarantors or other obligors.

SECTION 4. Guarantee of Payment. The Guarantor further agrees that the Guarantee constitutes a guarantee of payment when due and not of collection, and waives any right to require that any resort be had by the Collateral Agent or any other Secured Party to any of the security held for payment of the Obligations or to any balance of any deposit account or credit on the books of the Collateral Agent or any other Secured Party in favor of the Borrower or any other Person.

SECTION 5. No Discharge or Diminishment of Guarantee. The obligations of the Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason (other than the indefeasible payment in full in cash of the Obligations), including any claim of waiver, release, surrender, alteration or compromise of any of the Obligations, and shall not be subject to any defense or set-off, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of the Guarantor hereunder shall not be discharged or impaired or otherwise affected by the failure of any Agent or any other Secured Party to assert any claim or demand or to enforce any remedy under the Credit Agreement, any other Loan Document or any other agreement, by any waiver or modification of any provision of any thereof, by any default, failure or delay, wilful or otherwise, in the performance of the Obligations, or by any other act or omission that may or might in any manner or to any extent vary the risk of the Guarantor or that would otherwise operate as a discharge of the Guarantor as a matter of law or equity (other than the indefeasible payment in full in cash of all the Obligations).

SECTION 6. Defenses of Borrower Waived. To the fullest extent permitted by applicable law, the Guarantor waives any defense based on or arising out of any defense of the Borrower or the unenforceability of the Obligations or any part thereof

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from any cause, or the cessation from any cause of the liability of the Borrower, other than the indefeasible payment in full in cash of all the

Obligations. The Collateral Agent and the other Secured Parties may, at their election, foreclose on any security held by one or more of them by one or more judicial or nonjudicial sales, accept an assignment of any such security in lieu of foreclosure, compromise or adjust any part of the Obligations, make any other accommodation with the Borrower or any other guarantor or exercise any other right or remedy available to them against the Borrower or any other guarantor, without affecting or impairing in any way the liability of the Guarantor hereunder except to the extent that all the Obligations have been indefeasibly paid in full in cash. Pursuant to applicable law, the Guarantor waives any defense arising out of any such election even though such election operates, pursuant to applicable law, to impair or to extinguish any right of reimbursement or subrogation or other right or remedy of the Guarantor against the Borrower or any other guarantor, as the case may be, or any security.

SECTION 7. Agreement to Pay; Subordination. In furtherance of the foregoing and not in limitation of any other right that the Collateral Agent or any other Secured Party has at law or in equity against the Guarantor by virtue hereof, upon the failure of the Borrower or any other Loan Party to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, the Guarantor hereby promises to and will forthwith pay, or cause to be paid, to the Collateral Agent or such other Secured Party as designated thereby in cash the amount of such unpaid Obligations. Upon payment by the Guarantor of any sums to the Collateral Agent or any Secured Party as provided above, all rights of the Guarantor against the Borrower arising as a result thereof by way of right of subrogation, contribution, reimbursement, indemnity or otherwise shall in all respects be subordinate and junior in right of payment to the prior indefeasible payment in full in cash of all the Obligations. In addition, any indebtedness of the Borrower now or hereafter held by the Guarantor is hereby subordinated in right of payment to the prior payment in full of the Obligations. If any amount shall erroneously be paid to the Guarantor on account of (a) such subrogation, contribution, reimbursement, indemnity or similar right or (b) any such indebtedness of the Borrower, such amount shall be held in trust for the benefit of the Secured Parties and shall forthwith be paid to the Collateral Agent to be credited against the payment of the Obligations, whether matured or unmatured, in accordance with the terms of the Loan Documents.

SECTION 8. Information. The Guarantor assumes all responsibility for being and keeping itself informed of the Borrower's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Obligations and the nature, scope and extent of the risks that the Guarantor assumes and incurs hereunder, and agrees that none of the Collateral Agent or the other Secured Parties will have any duty to advise the Guarantor of information known to it or any of them regarding such circumstances or risks.

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SECTION 9. Termination. The Guarantee (a) shall terminate when all the Obligations have been indefeasibly paid in full in cash and the Lenders have no further commitment to lend under the Credit Agreement, the LC Exposure has been reduced to zero and the Issuing Bank has no further obligation to issue Letters of Credit under the Credit Agreement and (b) shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by any Secured Party or the Guarantor upon the bankruptcy or reorganization of the Borrower, the Guarantor or otherwise.

SECTION 10. Binding Effect; Several Agreement; Assignments. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of the Guarantor that are contained in this Agreement shall bind and inure to the benefit of each party hereto and their respective successors and assigns. This Agreement shall become effective as to the Guarantor when a counterpart hereof executed on behalf of the Guarantor shall have been delivered to the Collateral Agent, and a counterpart hereof shall have been executed on behalf of the Collateral Agent, and thereafter shall be binding upon the Guarantor and the Collateral Agent and their respective successors and assigns, and shall inure to the benefit of the Guarantor, the Collateral Agent and the other Secured Parties, and their respective successors and assigns, except that the Guarantor shall not have the right to assign its rights or obligations hereunder or any interest herein (and any such attempted assignment shall be void).

SECTION 11. Waivers; Amendment. (a) No failure or delay of the Collateral Agent in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Collateral Agent hereunder and of the other Secured Parties under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Guarantor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Guarantor in any case shall entitle the Guarantor to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into between the Guarantor

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and the Administrative Agent, with the prior written consent of the Required Lenders (except as otherwise provided in the Credit Agreement).

SECTION 12. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 13. Notices. All communications and notices hereunder shall be in writing and given as provided in Section 9.01 of the Credit Agreement. All communications and notices hereunder to the Guarantor shall be given to it in care of the Borrower.

SECTION 14. Survival of Agreement; Severability. (a) All covenants, agreements, representations and warranties made the Guarantor herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Agent and the other Secured Parties and shall survive the making by the Lenders of the Loans and the issuance of the Letters of Credit by the Issuing Bank regardless of any investigation made by the Secured Parties or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any other fee or amount payable under this Agreement or any other Loan Document is outstanding and unpaid or the LC Exposure does not equal zero and as long as the Commitments have not been terminated.

(b) In the event any one or more of the provisions contained in this Agreement or in any other Loan Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 15. Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract, and shall become effective as provided in Section 10. Delivery of an executed signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

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SECTION 16. Rules of Interpretation. The rules of interpretation specified in Section 1.03 of the Credit Agreement shall be applicable to this

Agreement.

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

DONJOY, L.L.C.,

by /s/ Cyril Talbot III

Name: Cyril Talbot III
Title: V.P., CFO and Secretary

FIRST UNION NATIONAL BANK, as Collateral Agent,

by /s/ J. Matt MacIver, Jr.

Name: J. Matt MacIver, Jr.
Title: Vice President

EXHIBIT 10.14

SUBSIDIARY GUARANTEE AGREEMENT dated as of June 30, 1999, among each of the subsidiaries listed on Schedule I hereto (each such subsidiary, individually, a "Subsidiary Guarantor" and, collectively, the "Subsidiary Guarantors") of DJ ORTHOPEDICS, LLC, a Delaware limited liability company (the "Borrower"), and FIRST UNION NATIONAL BANK ("First Union"), as collateral agent (the "Collateral Agent") for the Secured Parties (as defined in the Credit Agreement referred to below).

Reference is made to the Credit Agreement dated as of June 30, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, DONJOY, L.L.C., a Delaware limited liability company, the lenders from time to time party thereto (the "Lenders"), First Union, as administrative agent for the Lenders (in such capacity, the "Administrative Agent") and Collateral Agent and, THE CHASE MANHATTAN BANK, as Syndication Agent and as issuing bank (in such capacity, the "Issuing Bank"). Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The Lenders have agreed to make Loans to the Borrower, and the Issuing Bank has agreed to issue Letters of Credit for the account of the Borrower, or any of its Subsidiaries pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. Each of the Subsidiary Guarantors is a wholly owned Subsidiary and acknowledges that it will derive substantial benefit from the making of the Loans by the Lenders, and the issuance of the Letters of Credit by the Issuing Bank. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit are conditioned on, among other things, the execution and delivery by the Subsidiary Guarantors of a Subsidiary Guarantee Agreement in the form hereof. As consideration therefor and in order to induce the Lenders to make Loans and the Issuing Bank to issue Letters of Credit, the Subsidiary Guarantors are willing to execute this Agreement.

Accordingly, the parties hereto agree as follows:

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SECTION 1. Guarantee. Each Subsidiary Guarantor unconditionally guarantees (the "Guarantee"), jointly with the other Subsidiary Guarantors and severally, as a primary obligor and not merely as a surety, (a) the due and punctual payment by the Borrower of (i) the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether such interest is allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (ii) each payment required to be made by the Borrower under the Credit Agreement in respect of any Letter of Credit, when and as due, including payments in respect of reimbursement of disbursements, interest thereon and obligations to provide cash collateral, and (iii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary,

secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether such monetary obligations are allowed or allowable in such proceeding), of the Borrower to the Secured Parties under the Credit Agreement and the other Loan Documents, (b) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Borrower under or pursuant to the Credit Agreement and the other Loan Documents, (c) the due and punctual payment and performance of all the covenants, agreements, obligations and liabilities of each other Loan Party under or pursuant to this Agreement and the other Loan Documents and (d) the due and punctual payment and performance of all obligations of Holdings, the Borrower and any Subsidiary Loan Party, under each Hedging Agreement entered into with any counterparty that was a Lender (or an Affiliate of a Lender) at the time such Hedging Agreement was entered into (all the monetary and other obligations described in the preceding clauses (a) through (d) being collectively called the "Obligations"). Each Subsidiary Guarantor further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon the Guarantee notwithstanding any extension or renewal of any Obligation.

Anything contained in this Agreement to the contrary notwithstanding, the obligations of each Subsidiary Guarantor hereunder shall be limited to a maximum aggregate amount equal to the greatest amount that would not render such Subsidiary Guarantor's obligations hereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of Title 11 of the United States Code or any provisions of applicable state law (collectively, the "Fraudulent Transfer Laws"), in each case after giving effect to all other liabilities of such Subsidiary Guarantor, contingent or otherwise, that are relevant under the Fraudulent Transfer Laws (specifically excluding, however, any liabilities of such Subsidiary Guarantor (a) in respect of intercompany indebtedness to the Borrower or Affiliates of the Borrower to the extent that such indebtedness would be discharged in an amount equal to the amount paid by such Subsidiary Guarantor hereunder and (b) under any guarantee of senior unsecured indebtedness or Indebtedness

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subordinated in right of payment to the Obligations, which guarantee contains a limitation as to maximum amount similar to that set forth in this paragraph, pursuant to which the liability of such Subsidiary Guarantor hereunder is included in the liabilities taken into account in determining such maximum amount) and after giving effect as assets to the value (as determined under the applicable provisions of the Fraudulent Transfer Laws) of any rights to subrogation, contribution, reimbursement, indemnity or similar rights of such Subsidiary Guarantor pursuant to (i) applicable law or (ii) any agreement providing for an equitable allocation among such Subsidiary Guarantor and other Affiliates of the Borrower of obligations arising under Guarantees by such parties (including the Indemnity, Subrogation and Contribution Agreement).

SECTION 2. Obligations Not Waived. To the fullest extent permitted by applicable law, each Subsidiary Guarantor waives presentment to, demand of payment from and protest to the Borrower of any of the Obligations, and also waives notice of acceptance of the Guarantee and notice of protest for nonpayment. To the fullest extent permitted by applicable law, the obligations of each Subsidiary Guarantor hereunder shall not be affected by (a) the failure of the Collateral Agent or any other Secured Party to assert any claim or demand or to enforce or exercise any right or remedy against the Borrower or any other Subsidiary Guarantor under the provisions of the Credit Agreement, any other

Loan Document or otherwise, (b) any rescission, waiver, amendment or modification of, or any release from any of the terms or provisions of this Agreement, any other Loan Document, any Guarantee or any other agreement, including with respect to any other Subsidiary Guarantor under this Agreement, or (c) the failure to perfect any security interest in, or the release of, any of the security held by or on behalf of the Collateral Agent or any other Secured Party.

SECTION 3. Security. Each of the Subsidiary Guarantors authorizes the Collateral Agent and each of the other Secured Parties to (a) take and hold security for the payment of the Guarantee and the Obligations and exchange, enforce, waive and release any such security, (b) apply such security and direct the order or manner of sale thereof as they in their sole discretion may determine and (c) release or substitute any one or more endorsees, other Subsidiary Guarantors or other obligors.

SECTION 4. Guarantee of Payment. Each Subsidiary Guarantor further agrees that the Guarantee constitutes a guarantee of payment when due and not of collection, and waives any right to require that any resort be had by the Collateral Agent or any other Secured Party to any of the security held for payment of the Obligations or to any balance of any deposit account or credit on the books of the Collateral Agent or any other Secured Party in favor of the Borrower or any other Person.

SECTION 5. No Discharge or Diminishment of Guarantee. The obligations of each Subsidiary Guarantor hereunder shall not be subject to any reduction, limitation,

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impairment or termination for any reason (other than the indefeasible payment in full in cash of the Obligations), including any claim of waiver, release, surrender, alteration or compromise of any of the Obligations, and shall not be subject to any defense or set-off, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Subsidiary Guarantor hereunder shall not be discharged or impaired or otherwise affected by the failure of the Collateral Agent or any other Secured Party to assert any claim or demand or to enforce any remedy under the Credit Agreement, any other Loan Document or any other agreement, by any waiver or modification of any provision of any thereof, by any default, failure or delay, wilful or otherwise, in the performance of the Obligations, or by any other act or omission that may or might in any manner or to any extent vary the risk of any Subsidiary Guarantor or that would otherwise operate as a discharge of each Subsidiary Guarantor as a matter of law or equity (other than the indefeasible payment in full in cash of all the Obligations).

SECTION 6. Defenses of Borrower Waived. To the fullest extent permitted by applicable law, each of the Subsidiary Guarantors waives any defense based on or arising out of any defense of the Borrower or the unenforceability of the Obligations or any part thereof from any cause, or the cessation from any cause of the liability of the Borrower, other than the indefeasible payment in full in cash of all the Obligations. The Collateral Agent and the other Secured Parties may, at their election, foreclose on any security held by one or more of them by one or more judicial or nonjudicial sales, accept an assignment of any such security in lieu of foreclosure, compromise or adjust any part of the Obligations, make any other accommodation with the Borrower or any other Subsidiary Guarantor or exercise any other right or remedy available to them against the Borrower or any other Subsidiary Guarantor, without affecting or

impairing in any way the liability of any Subsidiary Guarantor hereunder except to the extent that all the Obligations have been indefeasibly paid in full in cash. Pursuant to applicable law, each of the Subsidiary Guarantors waives any defense arising out of any such election even though such election operates, pursuant to applicable law, to impair or to extinguish any right of reimbursement or subrogation or other right or remedy of such Subsidiary Guarantor against the Borrower or any other Subsidiary Guarantor or guarantor, as the case may be, or any security.

SECTION 7. Agreement to Pay; Subordination. In furtherance of the foregoing and not in limitation of any other right that the Collateral Agent or any other Secured Party has at law or in equity against any Subsidiary Guarantor by virtue hereof, upon the failure of the Borrower or any other Loan Party to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, each Subsidiary Guarantor hereby promises to and shall forthwith pay, or cause to be paid, to the Collateral Agent or such other Secured Party as designated thereby in cash the amount of such unpaid Obligations. Upon payment by any Subsidiary

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Guarantor of any sums to the Collateral Agent or any Secured Party as provided above, all rights of such Subsidiary Guarantor against the Borrower arising as a result thereof by way of right of subrogation, contribution, reimbursement, indemnity or otherwise shall in all respects be subordinate and junior in right of payment to the prior indefeasible payment in full in cash of all the Obligations. In addition, any indebtedness of the Borrower now or hereafter held by any Subsidiary Guarantor is hereby subordinated in right of payment to the prior payment in full in cash of the Obligations. If any amount shall erroneously be paid to any Subsidiary Guarantor on account of (a) such subrogation, contribution, reimbursement, indemnity or similar right or (b) any such indebtedness of the Borrower, such amount shall be held in trust for the benefit of the Secured Parties and shall forthwith be paid to the Collateral Agent to be credited against the payment of the Obligations, whether matured or unmatured, in accordance with the terms of the Loan Documents.

SECTION 8. Information. Each of the Subsidiary Guarantors assumes all responsibility for being and keeping itself informed of the Borrower's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Obligations and the nature, scope and extent of the risks that such Subsidiary Guarantor assumes and incurs hereunder, and agrees that none of the Collateral Agent or the other Secured Parties will have any duty to advise any of the Subsidiary Guarantors of information known to it or any of them regarding such circumstances or risks.

SECTION 9. Representations and Warranties. Each of the Subsidiary Guarantors represents and warrants as to itself that all representations and warranties relating to it contained in the Credit Agreement are true and correct.

SECTION 10. Termination. The Guarantees (a) shall terminate when all the Obligations have been indefeasibly paid in full in cash and the Lenders have no further commitment to lend under the Credit Agreement, the LC Exposure has been reduced to zero and the Issuing Bank has no further obligation to issue Letters of Credit under the Credit Agreement and (b) shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by any Secured Party or any Subsidiary Guarantor upon the bankruptcy or reorganization of the

Borrower, any Subsidiary Guarantor or otherwise.

SECTION 11. Binding Effect; Several Agreement; Assignments. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of the Subsidiary Guarantors that are contained in this Agreement shall bind and inure to the benefit of each party hereto and their respective successors and assigns. This Agreement shall become effective as to any Subsidiary Guarantor when a counterpart hereof executed on behalf of such Subsidiary Guarantor

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shall have been delivered to the Collateral Agent, and a counterpart hereof shall have been executed on behalf of the Collateral Agent, and thereafter shall be binding upon such Subsidiary Guarantor and the Collateral Agent and their respective successors and assigns, and shall inure to the benefit of such Subsidiary Guarantor, the Collateral Agent and the other Secured Parties, and their respective successors and assigns, except that no Subsidiary Guarantor shall have the right to assign its rights or obligations hereunder or any interest herein (and any such attempted assignment shall be void). If all of the capital stock (or membership interests or other equity interests) of a Subsidiary Guarantor is (or are) sold, transferred or otherwise disposed of pursuant to a transaction permitted by Section 6.05 of the Credit Agreement, such Subsidiary Guarantor shall be released from its obligations under this Agreement without further action. This Agreement shall be construed as a separate agreement with respect to each Subsidiary Guarantor and may be amended, modified, supplemented, waived or released with respect to any Subsidiary Guarantor without the approval of any other Subsidiary Guarantor and without affecting the obligations of any other Subsidiary Guarantor hereunder.

SECTION 12. Waivers; Amendment. (a) No failure or delay of the Collateral Agent in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Collateral Agent hereunder and of the other Secured Parties under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Subsidiary Guarantor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Subsidiary Guarantor in any case shall entitle such Subsidiary Guarantor to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into between the Subsidiary Guarantors with respect to which such waiver, amendment or modification relates and the Collateral Agent, with the prior written consent of the Required Lenders (except as otherwise provided in the Credit Agreement).

SECTION 13. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 14. Notices. All communications and notices hereunder shall be in writing and given as provided in Section 9.01 of the Credit Agreement. All

communications and notices hereunder to each Subsidiary Guarantor shall be given to it in care of the Borrower.

SECTION 15. Survival of Agreement; Severability. (a) All covenants, agreements, representations and warranties made by the Subsidiary Guarantors herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Collateral Agent and the other Secured Parties and shall survive the making by the Lenders of the Loans and the issuance of the Letters of Credit by the Issuing Bank regardless of any investigation made by the Secured Parties or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any other fee or amount payable under this Agreement or any other Loan Document is outstanding and unpaid or the LC Exposure does not equal zero and as long as the Commitments have not been terminated.

(b) In the event any one or more of the provisions contained in this Agreement or in any other Loan Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 16. Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract, and shall become effective as provided in Section 11. Delivery of an executed signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

SECTION 17. Rules of Interpretation. The rules of interpretation specified in Section 1.03 of the Credit Agreement shall be applicable to this Agreement.

SECTION 18. Jurisdiction; Consent to Service of Process. (a) Each Subsidiary Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be

heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto 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 in this Agreement or any other Loan Document shall affect any right

that the Collateral Agent or any other Secured Party may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Subsidiary Guarantor or its properties in the courts of any jurisdiction.

(b) Each Subsidiary Guarantor irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (a) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 14. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 19. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 19.

SECTION 20. Additional Subsidiary Guarantors. Pursuant to Section 5.12 of the Credit Agreement, the Borrower is required to cause each Subsidiary that was not in existence or not a Subsidiary on the date of the Credit Agreement to enter into this Agreement as a Subsidiary Guarantor upon becoming a Subsidiary that is a Subsidiary Loan Party. Upon execution and delivery after the date hereof by the Collateral Agent

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and such a Subsidiary of an instrument in the form of Annex 1, such Subsidiary shall become a Subsidiary Guarantor hereunder with the same force and effect as if originally named as a Subsidiary Guarantor herein. The execution and delivery of any instrument adding an additional Subsidiary Guarantor as a party to this Agreement shall not require the consent of any other Subsidiary Guarantor hereunder. The rights and obligations of each Subsidiary Guarantor hereunder shall remain in full force and effect notwithstanding the addition of any new Subsidiary Guarantor as a party to this Agreement.

SECTION 21. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Secured Party is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other Indebtedness at any time owing by such Secured Party to or for the credit or the account of any Subsidiary Guarantor against any or all the obligations of such Subsidiary Guarantor now or hereafter existing under this Agreement and the other Loan Documents held by such Secured Party, irrespective of whether or not such Secured Party shall have made any demand under this Agreement or any other Loan Document and although such obligations

may be unmatured. The rights of each Secured Party under this Section 21 are in addition to other rights and remedies (including other rights of setoff) that such Secured Party may have.

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

DJ ORTHOPEDICS CAPITAL CORPORATION,

by /s/ Cyril Talbot III

Name: Cyril Talbot III
Title: V.P., CFO and Secretary

FIRST UNION NATIONAL BANK, as Collateral Agent,

by /s/ J. Matt MacIver, Jr.

Name: J. Matt MacIver, Jr.
Title: Vice President

Schedule I to the
Subsidiary Guarantee Agreement

<TABLE>
<CAPTION>

Subsidiary Guarantor	Address
<S>	<C>
DJ Orthopedics Capital Corporation	2985 Scott Street Vista, California 92083

</TABLE>

Annex 1 to the
Subsidiary Guarantee Agreement

SUPPLEMENT NO. dated as of , to the Subsidiary Guarantee Agreement dated as of June 30, 1999, among each of the subsidiaries listed on Schedule I thereto (each such subsidiary, individually, a "Subsidiary Guarantor" and, collectively, the "Subsidiary Guarantors")

of DJ ORTHOPEDICS, LLC, a Delaware limited liability company (the "Borrower"), and FIRST UNION NATIONAL BANK ("First Union"), as collateral agent (the "Collateral Agent") for the Secured Parties (as defined in the Credit Agreement referred to below).

A. Reference is made to the Credit Agreement dated as of June 30, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, DONJOY, L.L.C., a Delaware limited liability company, the lenders from time to time party thereto (the "Lenders"), First Union, as administrative agent for the Lenders (in such capacity the "Administrative Agent") and Collateral Agent, and THE CHASE MANHATTAN BANK, as Syndication Agent and as issuing bank (in such capacity, the "Issuing Bank").

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Subsidiary Guarantee Agreement and the Credit Agreement.

C. The Subsidiary Guarantors have entered into the Subsidiary Guarantee Agreement in order to induce the Lenders to make Loans and the Issuing Bank to issue Letters of Credit. Pursuant to Section 5.12 of the Credit Agreement, the Borrower is required to cause each Subsidiary that was not in existence or not a Subsidiary on the date of the Credit Agreement to enter into the Subsidiary Guarantee Agreement as a Subsidiary Guarantor upon becoming a Subsidiary that is a Subsidiary Loan Party. Section 20 of the Subsidiary Guarantee Agreement provides that additional Subsidiaries of the Borrower may become Subsidiary Guarantors under the Subsidiary Guarantee Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "New Subsidiary Guarantor") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Subsidiary Guarantor under the Subsidiary Guarantee Agreement in order to induce the Lenders to make additional Loans and the Issuing Bank to issue additional Letters of Credit and as consideration for Loans previously made and Letters of Credit previously issued.

Accordingly, the Collateral Agent and the New Subsidiary Guarantor agree as follows:

SECTION 1. In accordance with Section 20 of the Subsidiary Guarantee Agreement, the New Subsidiary Guarantor by its signature below becomes a Subsidiary Guarantor under the Subsidiary Guarantee Agreement with the same force and effect as if originally named therein as a Subsidiary Guarantor and the New Subsidiary Guarantor hereby (a) agrees to all the terms and provisions of the Subsidiary Guarantee Agreement applicable to it as a Subsidiary Guarantor thereunder and (b) represents and warrants that the representations and warranties made by it as a Subsidiary Guarantor thereunder are true and correct on and as of the date hereof. Each reference to a "Subsidiary Guarantor" in the Subsidiary Guarantee Agreement shall be deemed to include the New Subsidiary Guarantor. The Subsidiary Guarantee Agreement is hereby incorporated herein by reference.

SECTION 2. The New Subsidiary Guarantor represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 3. This Supplement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Subsidiary Guarantor and the Collateral Agent. Delivery of an executed signature page to this Supplement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Supplement.

SECTION 4. Except as expressly supplemented hereby, the Subsidiary Guarantee Agreement shall remain in full force and effect.

SECTION 5. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Subsidiary Guarantee Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision hereof in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of

which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. All communications and notices hereunder shall be in writing and given as provided in Section 14 of the Subsidiary Guarantee Agreement. All communications and notices hereunder to the New Subsidiary Guarantor shall be given to it care of the Borrower.

SECTION 8. The New Subsidiary Guarantor agrees to reimburse the Collateral Agent for its out-of-pocket expenses in connection with this Supplement, including the reasonable fees, disbursements and other charges of counsel for the Collateral Agent.

IN WITNESS WHEREOF, the New Subsidiary Guarantor and the Collateral Agent have duly executed this Supplement to the Subsidiary Guarantee Agreement as of the day and year first above written.

<TABLE>
<S> <C>

[Name Of New Subsidiary Guarantor],

by

Name:
Title:

Address:

FIRST UNION NATIONAL BANK, as
Collateral Agent,

by

Name:
Title:

</TABLE>

EXHIBIT 10.15

PLEDGE AGREEMENT dated as of June 30, 1999, among DJ ORTHOPEDICS, LLC, a Delaware limited liability company (the "Borrower"), DONJOY, L.L.C., a Delaware limited liability company ("Holdings"), each subsidiary of the Borrower listed on Schedule I hereto (each such subsidiary individually, a "Subsidiary Pledgor" and collectively, the "Subsidiary Pledgors"; the Borrower, Holdings and the Subsidiary Pledgors are referred to collectively herein as the "Pledgors") and FIRST UNION NATIONAL BANK ("First Union"), as collateral agent (in such capacity, the "Collateral Agent") for the Secured Parties (as defined in the Credit Agreement referred to below).

Reference is made to (a) the Credit Agreement dated as of June 30, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, Holdings, the lenders from time to time party thereto (the "Lenders"), First Union, as Administrative Agent and Collateral Agent, and THE CHASE MANHATTAN BANK, as Syndication Agent and as issuing bank (in such capacity, the "Issuing Bank"), (b) the Parent Guarantee Agreement dated as of June 30, 1999 (as amended, supplemented or otherwise modified from time to time, the "Parent Guarantee Agreement"), between Holdings and the Collateral Agent and (c) the Subsidiary Guarantee Agreement dated as of June 30, 1999 (as amended, supplemented or otherwise modified from time to time, the "Subsidiary Guarantee Agreement"; and, collectively with the Parent Guarantee Agreement, the "Guarantee Agreements") among the Subsidiary Pledgors and the Collateral Agent.

The Lenders have agreed to make Loans to the Borrower and the Issuing Bank has agreed to issue Letters of Credit for the account of the Borrower, pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. Holdings and the Subsidiary Guarantors (as defined in the Security Agreement) have agreed to guarantee, among other things, all the obligations of the Borrower under the Credit Agreement. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit are conditioned upon, among other things, the execution and delivery by the Pledgors of a Pledge Agreement in the form hereof to secure (a) the due and punctual payment by the Borrower of (i) the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration,

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upon one or more dates set for prepayment or otherwise, (ii) each payment required to be made by the Borrower under the Credit Agreement in respect of any Letter of Credit, when and as due, including payments in respect of reimbursement of disbursements, interest thereon and obligations to provide cash collateral and (iii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Borrower to the Secured Parties under the Credit Agreement and the other Loan Documents, (b) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Borrower under or pursuant to the Credit Agreement and the other Loan Documents, (c) the due and punctual payment and performance of all the covenants, agreements, obligations and liabilities of each other Loan Party under or pursuant to this Agreement and the other Loan Documents and (d) the due and punctual payment and performance of all obligations of Holdings, the Borrower and any Subsidiary Loan Party under each Hedging Agreement entered into

with any counterparty that was a Lender (or an Affiliate of a Lender) at the time such Hedging Agreement was entered into (all the monetary and other obligations referred to in the preceding clauses (a) through (d) being referred to collectively as the "Obligations"). Capitalized terms used herein and not defined herein shall have meanings assigned to such terms in the Credit Agreement.

Accordingly, the Pledgors and the Collateral Agent, on behalf of itself and each Secured Party (and each of their respective successors or assigns), hereby agree as follows:

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SECTION 1. Pledge. As security for the payment and performance, as the case may be, in full of the Obligations, each Pledgor hereby transfers, grants, bargains, sells, conveys, hypothecates, pledges, sets over and delivers unto the Collateral Agent, its successors and assigns, and hereby grants to the Collateral Agent, its successors and assigns, for the ratable benefit of the Secured Parties, a security interest in all of the Pledgor's right, title and interest in, to and under (a) the shares of capital stock, membership interests or other equity interests owned by it and listed on Schedule II hereto and any shares of capital stock, membership interests or other equity interests of the Borrower or any Subsidiary obtained in the future by such Pledgor and the certificates representing all such shares, membership interests or other equity interests (collectively, the "Pledged Equity Interests"); provided that the Pledged Equity Interests shall not include (i) more than 65% of the issued and outstanding shares of stock, membership interests or other equity interests of any Foreign Subsidiary or (ii) to the extent that applicable law requires that a Subsidiary of the Pledgor issue directors' qualifying shares, such qualifying shares; (b)(i) the debt securities listed opposite the name of such Pledgor on Schedule II hereto, (ii) any debt securities in the future issued to such Pledgor and (iii) the promissory notes and any other instruments evidencing such debt securities (the "Pledged Debt Securities"); (c) all other property that may be delivered to and held by the Collateral Agent pursuant to the terms hereof; (d) subject to Section 5, all payments of principal or interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed, in respect of, in exchange for or upon the conversion of the securities referred to in clauses (a) and (b) above; (e) subject to Section 5, all rights and privileges of the Pledgor with respect to the securities, membership interests, other equity interests and other property referred to in clauses (a), (b), (c) and (d) above; and (f) all proceeds of any of the foregoing (the items referred to in clauses (a) through (f) above being collectively referred to as the "Collateral"). Upon delivery to the Collateral Agent, (a) any stock certificates, membership interest certificates, certificates with respect to other equity interests, notes or other securities now or hereafter included in the Collateral (the "Pledged Securities") shall be accompanied by stock powers duly executed in blank or other instruments of transfer satisfactory to the Collateral Agent and by such other instruments and documents as the Collateral Agent may reasonably request and (b) all other property comprising part of the Collateral shall be accompanied by proper instruments of assignment duly executed by the applicable Pledgor and such other instruments or documents as the Collateral Agent may reasonably request. Each delivery of Pledged Securities shall be accompanied by a schedule describing the securities theretofore and then being pledged hereunder, which schedule shall be attached hereto as Schedule II and made a part hereof. Each schedule so delivered shall supersede any prior schedules so delivered.

TO HAVE AND TO HOLD the Collateral, together with all right, title, interest, powers, privileges and preferences pertaining or incidental thereto, unto the Collateral

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Agent, its successors and assigns, for the ratable benefit of the Secured

Parties, forever; subject, however, to the terms, covenants and conditions hereinafter set forth.

SECTION 2. Delivery of the Collateral. (a) Each Pledgor agrees promptly to deliver or cause to be delivered to the Collateral Agent any and all Pledged Securities, and any and all certificates or other instruments or documents representing the Collateral.

(b) Each Pledgor will cause any Indebtedness for borrowed money owed to the Pledgor by any Person to be evidenced by a duly executed promissory note that is pledged and delivered to the Collateral Agent pursuant to the terms thereof.

(c) Each Pledgor agrees that, to the extent it becomes the owner of any interest in a limited liability company or a limited partnership and such Pledgor would be required to pledge such interest to the Collateral Agent pursuant to Section 1(a), it will cause the issuer of such interest to provide in such issuer's limited liability company operating agreement, or partnership agreement or other relevant constitutive documents that its limited liability company interests or partnership interests, respectively, shall at all times be represented by certificates, shall constitute "securities" within the meaning of Section 8-102 and Section 8-103 of Article 8 of the Uniform Commercial Code and shall be governed by Article 8 of the Uniform Commercial Code.

SECTION 3. Representations, Warranties and Covenants. Each Pledgor hereby represents, warrants and covenants, as to itself and the Collateral pledged by it hereunder, to and with the Collateral Agent that:

(a) the Pledged Equity Interests represent that percentage as set forth on Schedule II of the issued and outstanding shares and units of each class of the capital stock, membership interests or other equity interests of the issuer with respect thereto;

(b) except for the security interest granted hereunder, the Pledgor (i) is and will at all times continue to be the direct owner, beneficially and of record, of the Pledged Securities indicated on Schedule II, (ii) holds the same free and clear of all Liens, (iii) will make no assignment, pledge, hypothecation or transfer of, or create or permit to exist any security interest in or other Lien on, the Collateral, other than pursuant hereto, and (iv) subject to Section 5, will cause any and all Collateral, whether for value paid by the Pledgor or otherwise, to be forthwith deposited with the Collateral Agent and pledged or assigned hereunder;

(c) the Pledgor (i) has the power and authority to pledge the Collateral in the manner hereby done or contemplated and (ii) will defend its title or interest

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thereto or therein against any and all Liens (other than the Lien created by this Agreement), however arising, of all Persons whomsoever;

(d) no consent of any other Person (including stockholders or creditors of any Pledgor) and no consent or approval of any Governmental Authority or any securities exchange was or is necessary to the validity of the pledge effected hereby;

(e) by virtue of the execution and delivery by the Pledgors of this Agreement, when the Pledged Securities, certificates or other documents representing or evidencing the Collateral are delivered to the Collateral Agent in accordance with this Agreement, the Collateral Agent will obtain a valid and perfected first lien upon and security interest in such Pledged Securities as security for the payment and performance of

the Obligations;

(f) the pledge effected hereby is effective to vest in the Collateral Agent, on behalf of the Secured Parties, the rights of the Collateral Agent in the Collateral as set forth herein;

(g) all of the Pledged Equity Interests have been duly authorized and validly issued and are fully paid and nonassessable;

(h) all information set forth herein relating to the Pledged Equity Interests is accurate and complete in all material respects as of the date hereof; and

(i) the pledge of the Pledged Equity Interests pursuant to this Agreement does not violate Regulation T, U or X of the Federal Reserve Board or any successor thereto as of the date hereof.

SECTION 4. Registration in Nominee Name; Denominations. The Collateral Agent, on behalf of the Secured Parties, shall have the right (in its sole and absolute discretion) to hold the Pledged Securities in its own name as pledgee, the name of its nominee (as pledgee or as sub-agent) or the name of the Pledgors, endorsed or assigned in blank or in favor of the Collateral Agent. Each Pledgor will promptly give to the Collateral Agent copies of any notices or other communications received by it with respect to Pledged Securities registered in the name of such Pledgor. The Collateral Agent shall at all times have the right to exchange the certificates representing Pledged Securities for certificates of smaller or larger denominations for any purpose consistent with this Agreement.

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SECTION 5. Voting Rights; Dividends and Interest, etc. (a) Unless and until an Event of Default shall have occurred and be continuing:

(i) Each Pledgor shall be entitled to exercise any and all voting, management and/or other consensual rights and powers inuring to an owner of Pledged Securities or any part thereof for any purpose consistent with the terms of this Agreement, the Credit Agreement and the other Loan Documents; provided, however, that such Pledgor will not be entitled to exercise any such right if the result thereof could materially and adversely affect the rights inuring to a holder of the Pledged Securities or the rights and remedies of any of the Secured Parties under this Agreement or the Credit Agreement or any other Loan Document or the ability of the Secured Parties to exercise the same.

(ii) The Collateral Agent shall execute and deliver to each Pledgor, or cause to be executed and delivered to each Pledgor, all such proxies, powers of attorney and other instruments as such Pledgor may reasonably request for the purpose of enabling such Pledgor to exercise the voting, management and/or consensual rights and powers it is entitled to exercise pursuant to subparagraph (i) above and to receive the cash dividends it is entitled to receive pursuant to subparagraph (iii) below.

(iii) Each Pledgor shall be entitled to receive and retain any and all cash dividends, distributions, interest and principal paid on the Pledged Securities to the extent and only to the extent that such cash dividends, distributions, interest and principal are permitted by, and otherwise paid in accordance with, the terms and conditions of the Credit Agreement, the other Loan Documents (and, in the case of payments by the Borrower, its limited liability company agreement) and applicable laws. All noncash dividends, distributions, interest and principal, and all dividends, distributions, interest and principal paid or payable in cash or otherwise in connection with a partial or total liquidation or dissolution, return of capital, capital surplus or paid-in surplus, and all other distributions (other than distributions referred to in the preceding sentence) made on or in respect of the Pledged Securities,

whether paid or payable in cash or otherwise, whether resulting from a subdivision, combination or reclassification of the outstanding capital stock, membership interests or other equity interests of the issuer of any Pledged Securities or received in exchange for Pledged Securities or any part thereof, or in redemption thereof, or as a result of any merger, consolidation, acquisition or other exchange of assets to which such issuer may be a party or otherwise, shall be and become part of the Collateral, and, if received by any Pledgor, shall not be commingled by such Pledgor with any of its other funds or property but shall be held separate and apart therefrom, shall be held in trust for the benefit of the

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Collateral Agent and shall be forthwith delivered to the Collateral Agent in the same form as so received (with any necessary endorsement).

(b) Upon the occurrence and during the continuance of an Event of Default (except with respect to Tax Distributions permitted by clause (a) (i) of Section 6.08 of the Credit Agreement which shall continue to be governed by paragraph (a)(iii) above), all rights of any Pledgor to dividends, distributions, interest or principal that such Pledgor is authorized to receive pursuant to paragraph (a)(iii) above shall cease, and all such rights shall thereupon become vested in the Collateral Agent, which shall have the sole and exclusive right and authority to receive and retain such dividends, distributions, interest or principal. All dividends, distributions, interest or principal received by the Pledgor contrary to the provisions of this Section 5 shall be held in trust for the benefit of the Collateral Agent, shall be segregated from other property or funds of such Pledgor and shall be forthwith delivered to the Collateral Agent upon demand in the same form as so received (with any necessary endorsement). Any and all money and other property paid over to or received by the Collateral Agent pursuant to the provisions of this paragraph (b) shall be retained by the Collateral Agent in an account to be established by the Collateral Agent upon receipt of such money or other property and shall be applied in accordance with the provisions of Section 7. After all Events of Default have been cured or waived, the Collateral Agent shall, within five Business Days after all such Events of Default have been cured or waived, repay to each Pledgor all cash dividends, distribution, interest or principal (without interest), that such Pledgor would otherwise be permitted to retain pursuant to the terms of paragraph (a)(iii) above and which remain in such account.

(c) Upon the occurrence and during the continuance of an Event of Default, all rights of any Pledgor to exercise the voting, management and consensual rights and powers it is entitled to exercise pursuant to paragraph (a)(i) of this Section 5, and the obligations of the Collateral Agent under paragraph (a)(ii) of this Section 5, shall cease, upon notice thereof by the Collateral Agent, and all such rights shall thereupon become vested in the Collateral Agent, which shall have the sole and exclusive right and authority to exercise such voting, management and consensual rights and powers, provided that, upon an Event of Default pursuant to clause (h) or (i) of Article VII of the Credit Agreement such rights shall automatically vest in the Collateral Agent without any action on the part of the Collateral Agent. After all Events of Default have been cured or waived, such Pledgor will have the right to exercise the voting, management and consensual rights and powers that it would otherwise be entitled to exercise pursuant to the terms of paragraph (a)(i) above.

SECTION 6. Remedies upon Default. Upon the occurrence and during the continuance of an Event of Default, subject to applicable regulatory and legal requirements, the Collateral Agent may sell the Collateral, or any part thereof, at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as the Collateral Agent shall deem appropriate. The Collateral

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Agent shall be authorized at any such sale (if it deems it advisable to do so) to restrict the prospective bidders or purchasers to persons who will represent and agree that they are purchasing the Collateral for their own account for investment and not with a view to the distribution or sale thereof, and upon consummation of any such sale the Collateral Agent shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of any Pledgor, and, to the extent permitted by applicable law, the Pledgors hereby waive all rights of redemption, stay, valuation and appraisal any Pledgor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

The Collateral Agent shall give a Pledgor 10 days' prior written notice (which each Pledgor agrees is reasonable notification within the meaning of Section 9-504(3) of the Uniform Commercial Code as in effect in the State of New York or its equivalent in other jurisdictions) of the Collateral Agent's intention to make any sale of such Pledgor's Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral, or portion thereof, will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Collateral Agent may fix and state in the notice of such sale. At any such sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Collateral Agent may (in its sole and absolute discretion) determine. The Collateral Agent shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Collateral Agent until the sale price is paid in full by the purchaser or purchasers thereof, but the Collateral Agent shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by applicable law, private) sale made pursuant to this Section 6, any Secured Party may bid for or purchase, free from any right of redemption, stay or appraisal on the part of any Pledgor (all said rights being also hereby waived and released), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any claim then due and payable to it from such Pledgor as a credit against the purchase price, and it may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to such Pledgor therefor. For purposes hereof, (a) a written agreement to purchase the Collateral

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or any portion thereof shall be treated as a sale thereof, (b) the Collateral Agent shall be free to carry out such sale pursuant to such agreement and (c) such Pledgor shall not be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Collateral Agent shall have entered into such an agreement all Events of Default shall have been remedied and the Obligations paid in full. As an alternative to exercising the power of sale herein conferred upon it, the Collateral Agent may proceed by a suit or suits at law or in equity to foreclose upon the Collateral and to sell the Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a

proceeding by a court-appointed receiver. Any sale pursuant to the provisions of this Section 6 shall be deemed to conform to the commercially reasonable standards as provided in Section 9-504(3) of the Uniform Commercial Code as in effect in the State of New York or its equivalent in other jurisdictions.

SECTION 7. Application of Proceeds of Sale. The proceeds of any sale of Collateral pursuant to Section 6, as well as any Collateral consisting of cash, shall be applied by the Collateral Agent as follows:

FIRST, to the payment of all costs and expenses incurred by the Collateral Agent in connection with such sale or otherwise in connection with this Agreement, any other Loan Document or any of the Obligations, including all court costs and the reasonable fees and expenses of its agents and legal counsel, the repayment of all advances made by the Collateral Agent hereunder or under any other Loan Document on behalf of any Pledgor and any other costs or expenses incurred in connection with the exercise of any right or remedy hereunder or under any other Loan Document;

SECOND, to the payment in full of the Obligations (the amounts so applied to be distributed among the Secured Parties pro rata in accordance with the amounts of the Obligations owed to them on the date of any such distribution); and

THIRD, to the Pledgors, their successors or assigns, or as a court of competent jurisdiction may otherwise direct.

The Collateral Agent shall have absolute discretion as to the time of application of any such proceeds, moneys or balances in accordance with this Agreement. Upon any sale of the Collateral by the Collateral Agent (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the purchase money by the Collateral Agent or of the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Collateral Agent or such officer or be answerable in any way for the misapplication thereof.

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SECTION 8. Reimbursement of Collateral Agent. (a) Each Pledgor agrees to pay upon demand to the Collateral Agent the amount of any and all reasonable expenses, including the reasonable fees, other charges and disbursements of its counsel and of any experts or agents, that the Collateral Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the Collateral Agent hereunder or (iv) the failure by such Pledgor to perform or observe any of the provisions hereof.

(b) Without limitation of its indemnification obligations under the other Loan Documents, each Pledgor agrees to indemnify the Collateral Agent and the Indemnitees (as defined in Section 9.03(b) of the Credit Agreement) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, other charges and disbursements, incurred by or asserted against any Indemnitee arising out of, in any way connected with, or as a result of (i) the execution or delivery of this Agreement or any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations thereunder or the consummation of the Transactions and the other transactions contemplated thereby or (ii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from

the gross negligence or wilful misconduct of such Indemnitee.

(c) Any amounts payable as provided hereunder shall be additional Obligations secured hereby and by the other Security Documents. The provisions of this Section 8 shall remain operative and in full force and effect regardless of the termination of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Obligations, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document or any investigation made by or on behalf of the Collateral Agent or any other Secured Party. All amounts due under this Section 8 shall be payable on written demand therefor and shall bear interest at the rate specified in Section 2.13(c)(ii) of the Credit Agreement.

SECTION 9. Collateral Agent Appointed Attorney-in-Fact. Each Pledgor hereby appoints the Collateral Agent the attorney-in-fact of such Pledgor, upon the occurrence and during the continuance of an Event of Default, for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument that the Collateral Agent may deem necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest. Without limiting the

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generality of the foregoing, the Collateral Agent shall have the right, upon the occurrence and during the continuance of an Event of Default, with full power of substitution either in the Collateral Agent's name or in the name of such Pledgor, to ask for, demand, sue for, collect, receive and give acquittance for any and all moneys due or to become due under and by virtue of any Collateral, to endorse checks, drafts, orders and other instruments for the payment of money payable to the Pledgor representing any interest or dividend or other distribution payable in respect of the Collateral or any part thereof or on account thereof and to give full discharge for the same, to settle, compromise, prosecute or defend any action, claim or proceeding with respect thereto, and to sell, assign, endorse, pledge, transfer and to make any agreement respecting, or otherwise deal with, the same; provided, however, that nothing herein contained shall be construed as requiring or obligating the Collateral Agent to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Collateral Agent, or to present or file any claim or notice, or to take any action with respect to the Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby. The Collateral Agent and the other Secured Parties shall be accountable only for amounts actually received as a result of the exercise of the powers granted to them herein, and neither they nor their officers, directors, employees or agents shall be responsible to any Pledgor for any act or failure to act hereunder, except for their own gross negligence or wilful misconduct.

SECTION 10. Waivers; Amendment. (a) No failure or delay of the Collateral Agent in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Collateral Agent hereunder and of the Collateral Agent and the other Secured Parties under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provisions of this Agreement or consent to any departure by any Pledgor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Pledgor in any case shall entitle such Pledgor to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into between the Collateral Agent and the Pledgor or Pledgors with respect to which such

waiver, amendment or modification is to apply, with the prior written consent of the Required Lenders (except as otherwise provided by the Credit Agreement).

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SECTION 11. Securities Act, etc. In view of the position of the Pledgors in relation to the Pledged Securities, or because of other current or future circumstances, a question may arise under the Securities Act of 1933, as now or hereafter in effect, or any similar statute hereafter enacted analogous in purpose or effect (such Act and any such similar statute as from time to time in effect being called the "Federal Securities Laws") with respect to any disposition of the Pledged Securities permitted hereunder. Each Pledgor understands that compliance with the Federal Securities Laws might very strictly limit the course of conduct of the Collateral Agent if the Collateral Agent were to attempt to dispose of all or any part of the Pledged Securities, and might also limit the extent to which or the manner in which any subsequent transferee of any Pledged Securities could dispose of the same. Similarly, there may be other legal restrictions or limitations affecting the Collateral Agent in any attempt to dispose of all or part of the Pledged Securities under applicable "blue sky" or other state securities laws or similar laws analogous in purpose or effect. Each Pledgor recognizes that in light of such restrictions and limitations the Collateral Agent may, with respect to any sale of the Pledged Securities, limit the purchasers to those who will agree, among other things, to acquire such Pledged Securities for their own account, for investment, and not with a view to the distribution or resale thereof. Each Pledgor acknowledges and agrees that in light of such restrictions and limitations, the Collateral Agent, in its sole and absolute discretion, (a) may proceed to make such a sale whether or not a registration statement for the purpose of registering such Pledged Securities or part thereof shall have been filed under the Federal Securities Laws and (b) may approach and negotiate with a single potential purchaser to effect such sale. Each Pledgor acknowledges and agrees that any such sale might result in prices and other terms less favorable to the seller than if such sale were a public sale without such restrictions. In the event of any such sale, the Collateral Agent shall incur no responsibility or liability for selling all or any part of the Pledged Securities at a price that the Collateral Agent, in its sole and absolute discretion, may in good faith deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might have been realized if the sale were deferred until after registration as aforesaid or if more than a single purchaser were approached. The provisions of this Section 11 will apply notwithstanding the existence of a public or private market upon which the quotations or sales prices may exceed substantially the price at which the Collateral Agent sells.

SECTION 12. Registration, etc. Each Pledgor agrees that, upon the occurrence and during the continuance of an Event of Default hereunder, if for any reason the Collateral Agent desires to sell any of the Pledged Securities of the Borrower at a public sale, it will, at any time and from time to time, upon the written request of the Collateral Agent, use its best efforts to take or to cause the issuer of such Pledged Securities to take such action and prepare, distribute and/or file such documents, as are required or advisable in the reasonable opinion of counsel for the Collateral Agent to permit the public sale of such Pledged Securities. Each Pledgor further agrees to indemnify, defend and hold

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harmless the Collateral Agent, each other Secured Party, any underwriter and their respective officers, directors, affiliates and controlling persons from and against all loss, liability, expenses, costs of counsel (including, without limitation, reasonable fees and expenses to the Collateral Agent of legal counsel), and claims (including the costs of investigation) that they may incur insofar as such loss, liability, expense or claim arises out of or is based upon any alleged untrue statement of a material fact contained in any prospectus (or any amendment or supplement thereto) or in any notification or offering

circular, or arises out of or is based upon any alleged omission to state a material fact required to be stated therein or necessary to make the statements in any thereof not misleading, except insofar as the same may have been caused by any untrue statement or omission based upon information furnished in writing to such Pledgor or the issuer of such Pledged Securities by the Collateral Agent or any other Secured Party expressly for use therein. Each Pledgor further agrees, upon such written request referred to above, to use its best efforts to qualify, file or register, or cause the issuer of such Pledged Securities to qualify, file or register, any of the Pledged Securities under the "blue sky" or other securities laws of such states as may be requested by the Collateral Agent and keep effective, or cause to be kept effective, all such qualifications, filings or registrations. Each Pledgor will bear all costs and expenses of carrying out its obligations under this Section 12. Each Pledgor acknowledges that there is no adequate remedy at law for failure by it to comply with the provisions of this Section 12 and that such failure would not be adequately compensable in damages, and therefore agrees that its agreements contained in this Section 12 may be specifically enforced.

SECTION 13. Security Interest Absolute. All rights of the Collateral Agent hereunder, the grant of a security interest in the Collateral and all obligations of each Pledgor hereunder, shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Credit Agreement, any other Loan Document, any agreement with respect to any of the Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement, any other Loan Document or any other agreement or instrument relating to any of the foregoing, (c) any exchange, release or nonperfection of any other collateral, or any release or amendment or waiver of or consent to or departure from any guaranty, for all or any of the Obligations or (d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Pledgor in respect of the Obligations or in respect of this Agreement (other than the indefeasible payment in full of all the Obligations).

SECTION 14. Termination or Release. (a) This Agreement and the security interests granted hereby shall terminate when all the principal of and interest on each Loan and all other fees and amounts payable under this Agreement or any other Loan Document

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have been indefeasibly paid in full in cash, the LC Exposure has been reduced to zero and the Commitments have been terminated.

(b) Upon any sale or other transfer by any Pledgor of any Collateral that is permitted under the Credit Agreement to any Person that is not a Pledgor, or, upon the effectiveness of any written consent to the release of the security interest granted hereby in any Collateral pursuant to Section 9.02(b) of the Credit Agreement, the security interest in such Collateral shall be automatically released.

(c) In connection with any termination or release pursuant to paragraph (a) or (b), the Collateral Agent shall execute and deliver to any Pledgor, at such Pledgor's expense, all documents that such Pledgor shall reasonably request to evidence such termination or release. Any execution and delivery of documents pursuant to this Section 14 shall be without recourse to or warranty by the Collateral Agent.

SECTION 15. Notices. All communications and notices hereunder shall be in writing and given as provided in Section 9.01 of the Credit Agreement. All communications and notices hereunder to any Subsidiary Pledgor shall be given to it in care of the Borrower.

SECTION 16. Further Assurances. Each Pledgor agrees to do such further acts and things, and to execute and deliver such additional conveyances,

assignments, agreements and instruments, as the Collateral Agent may at any time reasonably request in connection with the administration and enforcement of this Agreement or with respect to the Collateral or any part thereof or in order better to assure and confirm unto the Collateral Agent its rights and remedies hereunder.

SECTION 17. Binding Effect; Several Agreement; Assignments. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Pledgor that are contained in this Agreement shall bind and inure to the benefit of its successors and assigns. This Agreement shall become effective as to any Pledgor when a counterpart hereof executed on behalf of such Pledgor shall have been delivered to the Collateral Agent and a counterpart hereof shall have been executed on behalf of the Collateral Agent, and thereafter shall be binding upon such Pledgor and the Collateral Agent and their respective successors and assigns, and shall inure to the benefit of such Pledgor, the Collateral Agent and the other Secured Parties, and their respective successors and assigns, except that no Pledgor shall have the right to assign its rights hereunder or any interest herein or in the Collateral (and any such attempted assignment shall be void), except as expressly contemplated by this Agreement or the other Loan Documents. If all of the capital stock, membership interests or other equity interests of a Pledgor is or are sold, transferred or otherwise disposed of to a

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Person that is not an Affiliate of the Borrower pursuant to a transaction permitted by Section 6.05 of the Credit Agreement, such Pledgor shall be released from its obligations under this Agreement without further action. This Agreement shall be construed as a separate agreement with respect to each Pledgor and may be amended, modified, supplemented, waived or released with respect to any Pledgor without the approval of any other Pledgor and without affecting the obligations of any other Pledgor hereunder

SECTION 18. Survival of Agreement; Severability. (a) All covenants, agreements, representations and warranties made by each Pledgor herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Collateral Agent and the other Secured Parties and shall survive the making by the Lenders of the Loans and the issuance of the Letters of Credit by the Issuing Bank, regardless of any investigation made by the Secured Parties or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any other fee or amount payable under this Agreement or any other Loan Document is outstanding and unpaid or the LC Exposure does not equal zero and as long as the Commitments have not been terminated.

(b) In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 19. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 20. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute a single contract, and shall become effective as provided in Section 17. Delivery of an executed counterpart of a signature page to this Agreement by facsimile transmission shall be as effective as

delivery of a manually executed counterpart of this Agreement.

SECTION 21. Rules of Interpretation. The rules of interpretation specified in Section 1.03 of the Credit Agreement shall be applicable to this Agreement.

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Section headings used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 22. Jurisdiction; Consent to Service of Process. (a) Each Pledgor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto 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 in this Agreement shall affect any right that the Collateral Agent or any other Secured Party may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against any Pledgor or its properties in the courts of any jurisdiction.

(b) Each Pledgor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 15. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 23. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER

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INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 24. Additional Pledgors. Pursuant to Section 5.12 of the Credit Agreement, the Borrower is required to cause each Subsidiary of the Borrower that was not in existence or not a Subsidiary on the date of the Credit Agreement to enter in this Agreement as a Subsidiary Pledgor upon becoming a Subsidiary that is a Subsidiary Loan Party if such Subsidiary owns or possesses property of a type that would be considered Collateral hereunder. Upon execution and delivery by the Collateral Agent and a Subsidiary of an instrument in the form of Annex 1, such Subsidiary shall become a Subsidiary Pledgor hereunder

with the same force and effect as if originally named as a Subsidiary Pledgor herein. The execution and delivery of such instrument shall not require the consent of any Pledgor hereunder. The rights and obligations of each Pledgor hereunder shall remain in full force and effect notwithstanding the addition of any new Subsidiary Pledgor as a party to this Agreement.

SECTION 25. Execution of Financing Statements. Pursuant to Section 9-402 of the Uniform Commercial Code as in effect in the State of New York or its equivalent in other jurisdictions, each Pledgor authorizes the Collateral Agent to file financing statements with respect to the Collateral owned by it without the signature of such Pledgor in such form and in such filing offices as the Collateral Agent reasonably determines appropriate to perfect the security interests of the Collateral Agent under this Agreement. A carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement for filing in any jurisdiction.

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

<TABLE>
<S> <C>

DJ ORTHOPEDICS, LLC,

by /s/ Cyril Talbot III

Name: Cyril Talbot III
Title: V.P., CFO and Secretary

DONJOY, L.L.C.,

by /s/ Cyril Talbot III

Name: Cyril Talbot III

</TABLE>

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<TABLE>
<S> <C>

Title: V.P., CFO and Secretary

THE SUBSIDIARY PLEDGORS LISTED ON SCHEDULE I HERETO
by /s/ Leslie H. Cross

Name: Leslie H. Cross

Title: Authorized Officer

FIRST UNION NATIONAL BANK, as Collateral Agent,

by /s/ J. Matt MacIver, Jr.

Name: J. Matt MacIver, Jr.

Title: Vice President

</TABLE>

Schedule I to the
Pledge Agreement

SUBSIDIARY PLEDGORS

<TABLE>
<CAPTION>

Name	Address
<S>	<C>
DJ Orthopedics Capital Corporation	2985 Scott Street Vista, California 92083

</TABLE>

Schedule II to the
Pledge Agreement

EQUITY SECURITIES

<TABLE>
<CAPTION>

<S>	<C>	<C>	<C>	<C>
Issuer	Number of Certificate	Registered Owner	Number and Class of Shares/ Membership Interests/Equity Interests	Percentage of Shares/ Membership Interests/Equity Interests
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</TABLE>

DEBT SECURITIES

<TABLE>
<CAPTION>

<S>	<C>	<C>	<C>
Issuer	Principal Amount	Date of Note	Maturity Date
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Annex 1 to the
Pledge Agreement

SUPPLEMENT NO. dated as of , to the PLEDGE AGREEMENT dated as of June 30, 1999, among DJ ORTHOPEDICS, LLC, a Delaware limited liability company (the "Borrower"), DONJOY, L.L.C., a Delaware limited liability company ("Holdings"), and each subsidiary of the Borrower listed on Schedule I thereto (each such subsidiary individually a "Subsidiary Pledgor" and collectively, the "Subsidiary Pledgors"; the Borrower, Holdings and Subsidiary Pledgors are referred to collectively herein as the "Pledgors") and FIRST UNION NATIONAL BANK ("First Union"), as collateral agent (in such capacity, the "Collateral Agent") for the Secured Parties (as defined in the Credit Agreement referred to below).

A. Reference is made to (a) the Credit Agreement dated as of June 30, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, Holdings, the lenders from time to time party thereto (the "Lenders"), First Union, as Administrative Agent and Collateral Agent, and THE CHASE MANHATTAN BANK, as Syndication Agent and as issuing bank (in such capacity, the "Issuing Bank"), (b) the Parent Guarantee Agreement dated as of June 30, 1999 (as amended, supplemented or otherwise modified from time to time, the "Parent Guarantee Agreement"), between Holdings and the Collateral Agent and (c) the Subsidiary Guarantee Agreement dated as of June 30, 1999 (as amended, supplemented or otherwise modified from time to time, the "Subsidiary Guarantee Agreement"; and, collectively with the Parent Guarantee Agreement, the "Guarantee Agreements") among the Subsidiary Pledgors and the Collateral Agent.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Pledge Agreement and the Credit Agreement.

C. The Pledgors have entered into the Pledge Agreement in order to induce the Lenders to make Loans and the Issuing Bank to issue Letters of Credit. Pursuant to Section 5.12 of the Credit Agreement, the Borrower is required to cause each Subsidiary that was not in existence or not a Subsidiary on the date of the Credit Agreement to enter into the Pledge Agreement as a Subsidiary Pledgor upon becoming a Subsidiary that is a Subsidiary Loan Party. Section 24 of the Pledge Agreement provides that such Subsidiaries may become Subsidiary Pledgors under the Pledge Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "New Pledgor") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Subsidiary Pledgor under the Pledge Agreement in order to induce the Lenders to make additional Loans and the Issuing Bank to issue

additional Letters of Credit and as consideration for Loans previously made and Letters of Credit previously issued.

Accordingly, the Collateral Agent and the New Pledgor agree as follows:

SECTION 1. In accordance with Section 24 of the Pledge Agreement, the New Pledgor by its signature below becomes a Pledgor under the Pledge Agreement with the same force and effect as if originally named therein as a Pledgor and the New Pledgor hereby agrees (a) to all the terms and provisions of the Pledge Agreement applicable to it as a Pledgor thereunder and (b) represents and warrants that the representations and warranties made by it as a Pledgor thereunder are true and correct on and as of the date hereof. In furtherance of the foregoing, the New Pledgor, as security for the payment and performance in full of the Obligations (as defined in the Pledge Agreement), does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on all of the New Pledgor's right, title and interest in and to the Collateral (as defined in the Pledge Agreement) of the New Pledgor. Each reference to a "Subsidiary Pledgor" or a "Pledgor" in the Pledge Agreement shall

be deemed to include the New Pledgor. The Pledge Agreement is hereby incorporated herein by reference.

SECTION 2. The New Pledgor represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 3. This Supplement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Pledgor and the Collateral Agent. Delivery of an executed signature page to this Supplement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. The New Pledgor hereby represents and warrants that set forth on Schedule I attached hereto is a true and correct schedule of all its Pledged Securities.

SECTION 5. Except as expressly supplemented hereby, the Pledge Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, neither party hereto shall be required to comply with such provision for so long as such provision is

held to be invalid, illegal or unenforceable, but the validity, legality and enforceability of the remaining provisions contained herein and in the Pledge Agreement shall not in any way be affected or impaired. The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall be in writing and given as provided in Section 15 of the Pledge Agreement. All communications and notices hereunder to the New Pledgor shall be given to it in care of the Borrower.

SECTION 9. The New Pledgor agrees to reimburse the Collateral Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, other charges and disbursements of counsel for the Collateral Agent.

IN WITNESS WHEREOF, the New Pledgor and the Collateral Agent have duly executed this Supplement to the Pledge Agreement as of the day and year first above written.

<TABLE>
<S> <C>

[Name of New Pledgor],
by

Name:
Title:
Address:

FIRST UNION NATIONAL BANK, as
Collateral Agent,

by

Name:
Title:

</TABLE>

Schedule I to
to the Pledge Agreement

Pledged Securities of the New Pledgor

EQUITY SECURITIES

<TABLE>
<S> <C> <C> <C> <C>

Issuer	Number of Certificate	Registered Owner	Number and Class of Shares/ Membership Interests/Equity Interests	Percentage of Shares/ Membership Interests/Equity Interests

</TABLE>

DEBT SECURITIES

<TABLE>
<S> <C> <C> <C>

Issuer	Principal Amount	Date of Note	Maturity Date

</TABLE>

EXHIBIT 10.16

SECURITY AGREEMENT dated as of June 30, 1999, among DJ ORTHOPEDICS, LLC, a Delaware limited liability company (the "Borrower"), DONJOY, L.L.C., a Delaware limited liability company ("Holdings"), each subsidiary of the Borrower listed on Schedule I hereto (each such subsidiary individually a "Subsidiary Guarantor" and collectively, the "Subsidiary Guarantors"; the Subsidiary Guarantors, Holdings and the Borrower are referred to collectively herein as the "Grantors") and FIRST UNION NATIONAL BANK ("First Union"), as collateral agent (in such capacity, the "Collateral Agent") for the Secured Parties (as defined herein).

Reference is made to (a) the Credit Agreement dated as of June 30, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, Holdings, the lenders from time to time party thereto (the "Lenders"), First Union, as administrative agent for the Lenders (in such capacity, the "Administrative Agent") and Collateral Agent, and THE CHASE MANHATTAN BANK, as Syndication Agent and as issuing bank (in such capacity, the "Issuing Bank") and (b) the Parent Guarantee Agreement dated as of June 30, 1999 (as amended, supplemented or otherwise modified from time to time, the "Parent Guarantee Agreement"), between Holdings and the Collateral Agent and (c) the Subsidiary Guarantee Agreement dated as of June 30, 1999 (as amended, supplemented or otherwise modified from time to time, the "Subsidiary Guarantee Agreement"), among the Subsidiary Guarantors and the Collateral Agent.

The Lenders have agreed to make Loans to the Borrower, and the Issuing Bank has agreed to issue Letters of Credit for the account of the Borrower and its Subsidiaries, pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. Each of Holdings and the Subsidiary Guarantors has agreed to guarantee, among other things, all the obligations of the Borrower under the Credit Agreement. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit are conditioned upon, among other things, the execution and delivery by the Grantors of an agreement in the form hereof to secure (a) the due and punctual payment by the Borrower of (i) the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (ii) each payment required to be made by the Borrower under the Credit Agreement in respect of any Letter of Credit, when and as due, including payments in respect of reimbursement of disbursements, interest thereon and obligations to provide cash

collateral and (iii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Borrower to the Secured Parties under the Credit Agreement and the other Loan Documents, (b) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Borrower under or pursuant to the Credit Agreement and the other Loan Documents, (c) the due and punctual payment and performance of all the covenants, agreements, obligations and liabilities of each other Loan Party under or pursuant to this Agreement and the other Loan Documents and (d) the due and punctual payment and performance of all obligations of Holdings, the Borrower and any Subsidiary Loan Party under each Hedging Agreement entered into with any counterparty that was a Lender (or an Affiliate of a Lender) at the time such Hedging Agreement was entered into (all the monetary and other obligations described in the preceding clauses (a) through (d) being referred to collectively as the "Obligations").

Accordingly, the Grantors and the Collateral Agent, on behalf of itself and each Secured Party (and each of their respective successors or assigns), hereby agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Definition of Terms Used Herein. Unless the context otherwise requires, all capitalized terms used but not defined herein shall have the meanings set forth in the Credit Agreement and all references to the Uniform Commercial Code shall mean the Uniform Commercial Code in effect in the State of New York as of the date hereof.

SECTION 1.02. Definition of Certain Terms Used Herein. As used herein, the following terms shall have the following meanings:

"Account Debtor" shall mean any Person who is or who may become obligated to any Grantor under, with respect to or on account of an Account or chattel paper.

"Accounts" shall mean any and all right, title and interest of any Grantor to payment for goods and services sold or leased, including any such right evidenced by chattel paper, whether due or to become due, whether or not it has been earned by performance, and whether now or hereafter acquired or arising in the future, including Accounts Receivable from Affiliates of the Grantors.

"Accounts Receivable" shall mean all Accounts and all right, title and interest in any returned goods, together with all rights, titles, securities and guarantees with respect thereto, including any rights to stoppage in transit, replevin, reclamation and resales, and all related security interests, liens and pledges, whether voluntary or involuntary, in each case whether now existing or owned or hereafter arising or acquired.

"Collateral" shall mean all (a) Accounts Receivable, (b) Documents, (c) Equipment, (d) General Intangibles, (e) Inventory, (f) cash and cash accounts, including deposit accounts, (g) Investment Property and (h) Proceeds, provided that "Collateral" shall not include, with respect to any Grantor, any item of property to the extent the grant by such Grantor of a security interest pursuant to this Agreement in its right, title and interest in such item of property is prohibited by an applicable contractual obligation or requirement of law or would give any other Person the right to terminate its obligations with respect to such item of property, and provided further, that the limitation in the foregoing proviso shall not affect, limit, restrict or impair the grant by any Grantor of a security interest pursuant to this Agreement in any money or other amounts due or to become due under any Account, Investment Property, contract, agreement or General Intangible.

"Commodity Account" shall mean an account maintained by a Commodity Intermediary in which a Commodity Contract is carried out for a Commodity Customer.

"Commodity Contract" shall mean a commodity futures contract, an option on a commodity futures contract, a commodity option or any other contract that, in each case, is (a) traded on or subject to the rules of a board of trade that has been designated as a contract market for such a contract pursuant to the Federal commodities laws or (b) traded on a foreign commodity board of trade, exchange or market, and is carried on the books of a Commodity Intermediary for a Commodity Customer.

"Commodity Customer" shall mean a Person for whom a Commodity Intermediary carries a Commodity Contract on its books.

"Commodity Intermediary" shall mean (a) a Person who is registered as a futures commission merchant under the Federal commodities laws or (b) a Person who in the ordinary course of its business provides clearance or settlement services for a board of trade that has been designated as a contract market pursuant to Federal commodities laws.

"Copyright License" shall mean any written agreement, now or hereafter in effect, granting any right to any third party under any Copyright now or hereafter owned by any Grantor or which such Grantor otherwise has the right to

license, or granting any right to such Grantor under any Copyright now or hereafter owned by any third party, and all rights of such Grantor under any such agreement.

"Copyrights" shall mean all of the following now owned or hereafter acquired by any Grantor: (a) all copyright rights in any work subject to the copyright laws of the United States of America or any other country, whether as author, assignee, transferee or otherwise, and (b) all registrations and applications for registration of any such copyright in the United States of America or any other country, including registrations, recordings, supplemental registrations and pending applications for registration in the United States Copyright Office, including those listed on Schedule II.

"Credit Agreement" shall have the meaning assigned to such term in the preliminary statement of this Agreement.

"Documents" shall mean all instruments, files, records, ledger sheets and documents covering or relating to any of the Collateral.

"Entitlement Holder" shall mean a Person identified in the records of a Securities Intermediary as the Person having a Security Entitlement against the Securities Intermediary. If a Person acquires a Security Entitlement by virtue of Section 8-501(b)(2) or (3) of the Uniform Commercial Code, such Person is the Entitlement Holder.

"Equipment" shall mean all equipment, furniture and furnishings, and all tangible personal property similar to any of the foregoing, including tools, parts and supplies of every kind and description, and all improvements, accessions or appurtenances thereto, that are now or hereafter owned by any Grantor. The term Equipment shall include Fixtures.

"Financial Asset" shall mean (a) a Security, (b) an obligation of a Person or a share, participation or other interest in a Person or in property or an enterprise of a Person, which is, or is of a type, dealt with in or traded on financial markets, or which is recognized in any area in which it is issued or dealt in as a medium for investment or (c) any property that is held by a Securities Intermediary for another Person in a Securities Account if the Securities Intermediary has expressly agreed with the other Person that the property is to be treated as a Financial Asset under Article 8 of the Uniform Commercial Code. As the context requires, the term Financial Asset shall mean either the interest itself or the means by which a Person's claim to it is evidenced, including a certificated or uncertificated Security, a certificate representing a Security or a Security Entitlement.

"Fixtures" shall mean all items of Equipment or goods, whether now owned or hereafter acquired, of any Grantor that become so related to particular real

estate that an interest in them arises under any real estate law applicable thereto.

"General Intangibles" shall mean all choses in action and causes of action and all other assignable intangible personal property of any Grantor of every kind and nature (other than Accounts Receivable) now owned or hereafter acquired by any Grantor, including all

rights and interests in partnerships, limited partnerships, limited liability companies and other unincorporated entities, corporate or other business records, indemnification claims, contract rights (including rights under leases, whether entered into as lessor or lessee, Hedging Agreements and other agreements), Intellectual Property, goodwill, registrations, franchises, Tax refund claims and any letter of credit, guarantee, claim, security interest or other security held by or granted to any Grantor to secure payment by an Account Debtor of any of the Accounts Receivable.

"Intellectual Property" shall mean all intellectual and similar property of any Grantor of every kind and nature now owned or hereafter acquired by any Grantor, including inventions, designs, Patents, Copyrights, Licenses, Trademarks, trade secrets, confidential or proprietary technical and business information, know-how, show-how or other data or information, software and databases and all embodiments or fixations thereof and related documentation, registrations and franchises, and all additions, improvements and accessions to, and books and records describing or used in connection with, any of the foregoing.

"Inventory" shall mean all goods of any Grantor, whether now owned or hereafter acquired, held for sale or lease, or furnished or to be furnished by any Grantor under contracts of service, or consumed in any Grantor's business, including raw materials, intermediates, work in process, packaging materials, finished goods, semi-finished inventory, scrap inventory, manufacturing supplies and spare parts, and all such goods that have been returned to or repossessed by or on behalf of any Grantor.

"Investment Property" shall mean all Securities (whether certificated or uncertificated), Security Entitlements, Securities Accounts, Commodity Contracts and Commodity Accounts of any Grantor, whether now owned or hereafter acquired by any Grantor.

"License" shall mean any Patent License, Trademark License, Copyright License or other license or sublicense to which any Grantor is a party, including those listed on Schedule III (other than those license agreements in existence on the date hereof and listed on Schedule III and those license agreements entered into after the date hereof, which by their terms prohibit assignment or a grant of a security interest by such Grantor as licensee

thereunder).

"Obligations" shall have the meaning assigned to such term in the preliminary statement of this Agreement.

"Patent License" shall mean any written agreement, now or hereafter in effect, granting to any third party any right to make, use or sell any invention on which a Patent, now or hereafter owned by any Grantor or which any Grantor otherwise has the right to license, is in existence, or granting to any Grantor any right to make, use or sell any

invention on which a Patent, now or hereafter owned by any third party, is in existence, and all rights of any Grantor under any such agreement.

"Patents" shall mean all of the following now owned or hereafter acquired by any Grantor: (a) all letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or any other country, including registrations, recordings and pending applications in the United States Patent and Trademark Office or any similar offices in any other country, including those listed on Schedule IV, and (b) all reissues, continuations, divisions, continuations-in-part, renewals or extensions thereof, and the inventions disclosed or claimed therein, including the right to make, use or sell the inventions disclosed or claimed therein.

"Perfection Certificate" shall mean a certificate substantially in the form of Annex 1 hereto, completed and supplemented with the schedules and attachments contemplated thereby, and duly executed by a Financial Officer and the chief legal officer of the Borrower.

"Proceeds" shall mean any consideration received from the sale, exchange, license, lease or other disposition of any asset or property that constitutes Collateral, any value received as a consequence of the possession of any Collateral and any payment received from any insurer or other Person or entity as a result of the destruction, loss, theft, damage or other involuntary conversion of whatever nature of any asset or property which constitutes Collateral, and shall include (a) any claim of any Grantor against any third party for (and the right to sue and recover for and the rights to damages or profits due or accrued arising out of or in connection with) (i) past, present or future infringement of any Patent now or hereafter owned by any Grantor, or licensed under a Patent License, (ii) past, present or future infringement or dilution of any Trademark now or hereafter owned by any Grantor or licensed under a Trademark License or injury to the goodwill associated with or symbolized by any Trademark now or hereafter owned by any Grantor, (iii) past, present or future breach of any License and (iv) past, present or future infringement of any Copyright now or hereafter owned by any Grantor or licensed

under a Copyright License and (b) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Secured Parties" shall mean (a) the Lenders, (b) the Administrative Agent, (c) the Collateral Agent, (d) the Issuing Bank, (e) each counterparty to an Hedging Agreement entered into with Holdings, the Borrower or any Subsidiary Loan Party if such counterparty was a Lender (or an Affiliate of a Lender) at the time the Hedging Agreement was entered into, (f) the beneficiaries of each indemnification obligation undertaken by any Grantor under any Loan Document and (g) the successors and assigns of each of the foregoing.

"Securities" shall mean any obligations of an issuer or any shares, participations, membership interests or other interests in an issuer or in property or an enterprise of an issuer

which (a) are represented by a certificate representing a security in bearer or registered form, or the transfer of which may be registered upon books maintained for that purpose by or on behalf of the issuer, (b) are one of a class or series or by its terms is divisible into a class or series of shares, participations, membership interests, other interests or obligations and (c)(i) are, or are of a type, dealt with or traded on securities exchanges or securities markets or (ii) are a medium for investment and by their terms expressly provide that they are a security governed by Article 8 of the Uniform Commercial Code.

"Securities Account" shall mean an account to which a Financial Asset is or may be credited in accordance with an agreement under which the Person maintaining the account undertakes to treat the Person for whom the account is maintained as entitled to exercise rights that comprise the Financial Asset.

"Security Entitlements" shall mean the rights and property interests of an Entitlement Holder with respect to a Financial Asset.

"Security Interest" shall have the meaning assigned to such term in Section 2.01.

"Securities Intermediary" shall mean (a) a clearing corporation or (b) a Person, including a bank or broker, that in the ordinary course of its business maintains securities accounts for others and is acting in that capacity.

"Trademark License" shall mean any written agreement, now or hereafter in effect, granting to any third party any right to use any Trademark now or hereafter owned by any Grantor or which any Grantor otherwise has the right to license, or granting to any Grantor any right to use any Trademark now or hereafter owned by any third party, and all rights of any Grantor under any such agreement.

"Trademarks" shall mean all of the following now owned or hereafter acquired by any Grantor: (a) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all registration and recording applications filed in connection therewith, including registrations and registration applications in the United States Patent and Trademark Office, any State of the United States or any similar offices in any other country or any political subdivision thereof, and all extensions or renewals thereof, including those listed on Schedule V, (b) all goodwill associated therewith or symbolized thereby and (c) all other assets, rights and interests that uniquely reflect or embody such goodwill.

SECTION 1.03. Rules of Interpretation. The rules of interpretation specified in Section 1.03 of the Credit Agreement shall be applicable to this Agreement.

ARTICLE II

Security Interest

SECTION 2.01. Security Interest. As security for the payment or performance, as the case may be, in full of the Obligations, each Grantor hereby bargains, sells, conveys, assigns, sets over, mortgages, pledges, hypothecates and transfers to the Collateral Agent, its successors and assigns, for the ratable benefit of the Secured Parties, and hereby grants to the Collateral Agent, its successors and assigns, for the ratable benefit of the Secured Parties, a security interest in, all of such Grantor's right, title and interest in, to and under the Collateral (the "Security Interest"). Without limiting the foregoing, the Collateral Agent is hereby authorized, to the extent permitted by applicable law, to file one or more financing statements (including fixture filings), continuation statements, filings with the United States Patent and Trademark Office or United States Copyright Office (or any successor office or any similar office in any other country) or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the Security Interest granted by each Grantor, without the signature of any Grantor, and naming any Grantor or the Grantors as debtors and the Collateral Agent as secured party.

SECTION 2.02. No Assumption of Liability. The Security Interest is granted as security only and shall not subject the Collateral Agent or any other Secured Party to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of the Collateral.

ARTICLE III

Representations and Warranties

The Grantors jointly and severally represent and warrant to the Collateral Agent and the Secured Parties that:

SECTION 3.01. Title and Authority. Each Grantor has good and valid rights in and title to the Collateral with respect to which it has purported to grant a Security Interest hereunder and has full power and authority to grant to the Collateral Agent the Security Interest in such Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other Person other than any consent or approval which has been obtained or the failure of which to obtain could not reasonably be expected to have a Material Adverse Effect.

SECTION 3.02. Filings. (a) The Perfection Certificate has been duly prepared, completed and executed and the information set forth therein is correct and complete. Fully executed Uniform Commercial Code financing statements (including fixture filings, as applicable) or other appropriate filings, recordings or registrations containing a description of the Collateral have been delivered to the Collateral Agent for filing in each governmental, municipal or other office specified in Schedule 6 to the Perfection Certificate, which are all the filings, recordings and registrations (other than filings required to be made in the United States Patent and Trademark Office and the United States Copyright Office in order to perfect the Security Interest in Collateral consisting of United States Patents, United States registered Trademarks and United States registered Copyrights) that are necessary to publish notice of and protect the validity of and to establish a legal, valid and perfected security interest in favor of the Collateral Agent (for the ratable benefit of the Secured Parties) in respect of all Collateral in which the Security Interest may be perfected by filing, recording or registration in the United States (or any political subdivision thereof) and its territories and possessions, and no further or subsequent filing, refiling, recording, rerecording, registration or reregistration is necessary in any such jurisdiction, except as provided under applicable law with respect to the filing of continuation statements.

(b) Each Grantor represents and warrants that fully executed security agreements in the form hereof and containing a description of all Collateral consisting of Intellectual Property shall have been recorded within three months after the execution of this Agreement with respect to United States Patents and United States registered Trademarks (and Trademarks for which United States registration applications are pending) and within one month after the execution of this Agreement with respect to United States registered Copyrights have been delivered to the Collateral Agent for recording by the United States Patent and

Trademark Office and the United States Copyright Office pursuant to 35 U.S.C. Section 261, 15 U.S.C. Section 1060 or 17 U.S.C. Section 205 and the regulations thereunder, as applicable, and otherwise as may be required pursuant to the laws of any other necessary jurisdiction, to protect the validity of and to establish a legal, valid and perfected security interest in favor of the Collateral Agent (for the ratable benefit of the Secured Parties) in respect of all Collateral consisting of Patents, Trademarks and Copyrights in which a security interest may be perfected by filing, recording or registration in the United States (or any political subdivision thereof) and its territories and possessions, or in any other necessary jurisdiction, and no further or subsequent filing, refiling, recording, rerecording, registration or reregistration is necessary (other than such actions as are necessary to perfect the Security Interest with respect to any Collateral consisting of Patents, Trademarks and Copyrights (or registration or application for registration thereof) acquired or developed after the date hereof).

SECTION 3.03. Validity of Security Interest. The Security Interest constitutes (a) a legal and valid security interest in all the Collateral securing the payment and performance of the Obligations, (b) subject to the filings described in Section 3.02 above, a perfected security interest in all Collateral in which a security interest may be perfected by filing,

recording or registering a financing statement or analogous document in the United States (or any political subdivision thereof) and its territories and possessions pursuant to the Uniform Commercial Code or other applicable law in such jurisdictions and (c) a security interest that shall be perfected in all Collateral in which a security interest may be perfected upon the receipt and recording of this Agreement with the United States Patent and Trademark Office and the United States Copyright Office, as applicable, within the three month period (commencing as of the date hereof) pursuant to 35 U.S.C. Section 261 or 15 U.S.C. Section 1060 or the one month period (commencing as of the date hereof) pursuant to 17 U.S.C. Section 205 and otherwise as may be required pursuant to the laws of any other necessary jurisdiction. The Security Interest is and shall be prior to any other Lien on any of the Collateral, other than Liens expressly permitted to be prior to the Security Interest pursuant to Section 6.02 of the Credit Agreement.

SECTION 3.04. Absence of Other Liens. The Collateral is owned by the Grantors free and clear of any Lien, except for Liens expressly permitted pursuant to Section 6.02 of the Credit Agreement. The Grantor has not filed or consented to the filing of (a) any financing statement or analogous document under the Uniform Commercial Code or any other applicable laws covering any Collateral, (b) any assignment in which any Grantor assigns any Collateral or any security agreement or similar instrument covering any Collateral with the United States Patent and Trademark Office or the United States Copyright Office or (c) any assignment in which any Grantor assigns any Collateral or any

security agreement or similar instrument covering any Collateral with any foreign governmental, municipal or other office, which financing statement or analogous document, assignment, security agreement or similar instrument is still in effect, except, in each case, for Liens expressly permitted pursuant to Section 6.02 of the Credit Agreement.

ARTICLE IV

Covenants

SECTION 4.01. Change of Name; Location of Collateral; Records; Place of Business. (a) Each Grantor agrees promptly to notify the Collateral Agent in writing of any change (i) in its corporate name or in any trade name used to identify it in the conduct of its business or in the ownership of its properties, (ii) in the location of its chief executive office, its principal place of business, any office in which it maintains books or records relating to Collateral owned by it or any office or facility at which Collateral owned by it is located (including the establishment of any such new office or facility), (iii) in its identity or corporate structure or (iv) in its Federal Taxpayer Identification Number. Each Grantor agrees not to effect or permit any change referred to in the preceding sentence unless all filings have been made under the Uniform Commercial Code or otherwise that are required in order for the Collateral Agent to continue at all times following such change to have a valid, legal and perfected first priority security interest in all the Collateral.

(b) Each Grantor agrees to maintain, at its own cost and expense, such complete and accurate records with respect to the Collateral owned by it as is consistent with its current practices and in accordance with such prudent and standard practices used in industries that are the same as or similar to those in which such Grantor is engaged, but in any event to include accounting records sufficient to enable the preparation of financial statements in accordance with GAAP indicating all payments and proceeds received with respect to any part of the Collateral, and, at such time or times as the Collateral Agent may reasonably request, promptly to prepare and deliver to the Collateral Agent a duly certified schedule or schedules in form and detail reasonably satisfactory to the Collateral Agent showing the identity, amount and location of any and all Collateral.

SECTION 4.02. Protection of Security. Each Grantor shall, at its own cost and expense, take any and all actions necessary to defend title to the Collateral against all Persons and to defend the Security Interest of the Collateral Agent in the Collateral and the priority thereof against any Lien not expressly permitted pursuant to Section 6.02 of the Credit Agreement.

SECTION 4.03. Further Assurances. Each Grantor agrees, at its own expense, to execute, acknowledge, deliver and cause to be duly filed all such further

instruments and documents and take all such actions as the Collateral Agent may from time to time request to better assure, preserve, protect and perfect the Security Interest and the rights and remedies created hereby, including the payment of any fees and Taxes required in connection with the execution and delivery of this Agreement, the granting of the Security Interest and the filing of any financing statements (including fixture filings) or other documents in connection herewith or therewith. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any promissory note or other instrument, such note or instrument shall be immediately pledged and delivered to the Collateral Agent, duly endorsed in a manner satisfactory to the Collateral Agent.

Without limiting the generality of the foregoing, each Grantor hereby authorizes the Collateral Agent, with prompt notice thereof to the Grantors, to supplement this Agreement by supplementing Schedule II, III, IV or V hereto or adding additional schedules hereto to specifically identify any registered asset or item that may constitute Copyrights, Licenses, Patents or Trademarks; provided, however, that any Grantor shall have the right, exercisable within 10 days after it has been notified by the Collateral Agent of the specific identification of such Collateral, to advise the Collateral Agent in writing of any inaccuracy of the representations and warranties made by such Grantor hereunder with respect to such Collateral. Each Grantor agrees that it will use its best efforts to take such action as shall be necessary in order that all representations and warranties hereunder shall be true and correct with respect to such Collateral within 30 days after the date it has been notified by the Collateral Agent of the specific identification of such Collateral.

SECTION 4.04. Inspection and Verification. The Collateral Agent and such Persons as the Collateral Agent may reasonably designate shall have the right, at the Grantors' own cost and expense, to inspect the Collateral, all records related thereto (and to make extracts and copies from such records) and the premises upon which any of the Collateral is located, to discuss the Grantors' affairs with the officers of the Grantors and their independent accountants and to verify under reasonable procedures, the validity, amount, quality, quantity, value, condition and status of, or any other matter relating to, the Collateral, including, in the case of Accounts or Collateral in the possession of any third Person, by contacting Account Debtors or the third Person possessing such Collateral for the purpose of making such a verification. The Collateral Agent shall have the absolute right to share any information it gains from such inspection or verification with any Secured Party (it being understood that any such information shall be deemed to be "Information" subject to the provisions of Section 9.12 of the Credit Agreement), provided that unless and until an Event of Default shall have occurred and be continuing, any inspection or verification pursuant to this Section 4.04 shall be conducted in consultation with the Borrower.

SECTION 4.05. Taxes; Encumbrances. At its option, the Collateral Agent may discharge past due Taxes, assessments, charges, fees, Liens, security interests or other encumbrances at any time levied or placed on the Collateral and not permitted pursuant to Section 6.02 of the Credit Agreement, and may pay for the maintenance and preservation of the Collateral to the extent any Grantor fails to do so as required by the Credit Agreement and each Grantor jointly and severally agrees to reimburse the Collateral Agent on demand for any payment made or any expense incurred by the Collateral Agent pursuant to the foregoing authorization; provided, however, that nothing in this Section 4.05 shall be interpreted as excusing any Grantor from the performance of, or imposing any obligation on the Collateral Agent or any Secured Party to cure or perform, any covenants or other promises of any Grantor with respect to Taxes, assessments, charges, fees, liens, security interests or other encumbrances and maintenance as set forth herein or in the other Loan Documents.

SECTION 4.06. Assignment of Security Interest. If at any time any Grantor shall take a security interest in any property of an Account Debtor or any other Person to secure payment and performance of an Account, such Grantor shall promptly assign such security interest to the Collateral Agent. Such assignment need not be filed of public record unless necessary to continue the perfected status of the security interest against creditors of and transferees from the Account Debtor or other Person granting the security interest.

SECTION 4.07. Continuing Obligations of the Grantors. Each Grantor shall remain liable to observe and perform all the conditions and obligations to be observed and performed by it under each contract, agreement or instrument relating to the Collateral, all in accordance with the terms and conditions thereof, and each Grantor jointly and severally

agrees to indemnify and hold harmless the Collateral Agent and the Secured Parties from and against any and all liability for such performance.

SECTION 4.08. Use and Disposition of Collateral. None of the Grantors shall make or permit to be made an assignment, pledge or hypothecation of the Collateral or shall grant any other Lien in respect of the Collateral, except as expressly permitted by Section 6.02 of the Credit Agreement. None of the Grantors shall make or permit to be made any transfer of the Collateral and each Grantor shall remain at all times in possession of the Collateral owned by it, except that (a) Inventory may be sold in the ordinary course of business and (b) the Grantors may use and dispose of the Collateral in any lawful manner not inconsistent with the provisions of this Agreement, the Credit Agreement or any other Loan Document. Without limiting the generality of the foregoing, each Grantor agrees that it shall not permit any Inventory to be in the possession or control of any warehouseman, bailee, agent or processor at any time unless such warehouseman, bailee, agent or processor shall have been notified of the Security Interest and shall have agreed in writing to hold the Inventory subject

to the Security Interest and the instructions of the Collateral Agent and to waive and release any Lien held by it with respect to such Inventory, whether arising by operation of law or otherwise.

SECTION 4.09. Limitation on Modification of Accounts. None of the Grantors will, without the Collateral Agent's prior written consent, grant any extension of the time of payment of any of the Accounts Receivable, compromise, compound or settle the same for less than the full amount thereof, release, wholly or partly, any Person liable for the payment thereof or allow any credit or discount whatsoever thereon, other than extensions, credits, discounts, compromises or settlements granted or made in the ordinary course of business and consistent with its current practices and in accordance with such prudent and standard practices used in industries that are the same as or similar to those in which such Grantor is engaged.

SECTION 4.10. Insurance. The Grantors, at their own expense, shall maintain or cause to be maintained insurance covering physical loss or damage to the Inventory and Equipment in accordance with Section 5.07 of the Credit Agreement. Each Grantor irrevocably makes, constitutes and appoints the Collateral Agent (and all officers, employees or agents designated by the Collateral Agent) as such Grantor's true and lawful agent (and attorney-in-fact) for the purpose, during the continuance of an Event of Default, of making, settling and adjusting claims in respect of Collateral under policies of insurance, endorsing the name of such Grantor on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect thereto. In the event that any Grantor at any time or times shall fail to obtain or maintain any of the policies of insurance required hereby or to pay any premium in whole or part relating thereto, the Collateral Agent may, without waiving or releasing any obligation or liability of the Grantors hereunder or any Event of Default, in its sole

discretion, obtain and maintain such policies of insurance and pay such premium and take any other actions with respect thereto as the Collateral Agent deems advisable. All sums disbursed by the Collateral Agent in connection with this Section 4.10, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be payable, upon demand, by the Grantors to the Collateral Agent and shall be additional Obligations secured hereby.

SECTION 4.11. Legend. Each Grantor shall legend, in form and manner satisfactory to the Collateral Agent, its books, records and documents evidencing or pertaining to Accounts Receivable with an appropriate reference to the fact that such Accounts Receivable have been assigned to the Collateral Agent for the benefit of the Secured Parties and that the Collateral Agent has a security interest therein.

SECTION 4.12. Covenants Regarding Patent, Trademark and Copyright Collateral. (a) Each Grantor agrees that it will not, nor will it permit any of its licensees to do any act, or omit to do any act, whereby any Patent which is used in the conduct of such Grantor's business may become invalidated or dedicated to the public, and agrees that it shall continue to mark any products covered by a Patent with the relevant patent number as necessary and sufficient to establish and preserve its maximum rights under applicable patent law, except in each case if the failure to do so would not have a Material Adverse Effect.

(b) Each Grantor (either itself or through its licensees or its sublicensees) will, for each Trademark used in the conduct of such Grantor's business, (i) maintain such Trademark in full force free from any claim of abandonment or invalidity for non-use, (ii) maintain the quality of products and services offered under such Trademark, (iii) display such Trademark with notice of Federal or foreign registration to the extent necessary and sufficient to establish and preserve its maximum rights under applicable law and (iv) not knowingly use or knowingly permit the use of such Trademark in violation of any third party right, except in each case if the failure to do so would not have a Material Adverse Effect.

(c) Each Grantor (either itself or through licensees) will, for each work covered by any Copyright, continue to publish, reproduce, display, adopt and distribute the work with appropriate copyright notice as necessary and sufficient to establish and preserve its maximum rights under applicable copyright law, except in each case if the failure to do so would not have a Material Adverse Effect.

(d) Each Grantor shall notify the Collateral Agent immediately if it knows or has reason to know that any Patent, Trademark or Copyright used in the conduct of its business may become abandoned, lost or dedicated to the public, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, United States Copyright Office or any court or similar office of any country) regarding such Grantor's ownership of any

Patent, Trademark or Copyright, its right to register the same, or to keep and maintain the same, except if any such event or development would not have a Material Adverse Effect.

(e) In no event shall any Grantor, either itself or through any agent, employee, licensee or designee, file an application for any Patent, Trademark or Copyright (or for the registration of any Trademark or Copyright) with the United States Patent and Trademark Office, United States Copyright Office or any office or agency in any political subdivision of the United States or in any other country or any political subdivision thereof, unless it promptly informs the Collateral Agent, and, upon request of the Collateral Agent, executes and

delivers any and all agreements, instruments, documents and papers as the Collateral Agent may request to evidence the Collateral Agent's security interest in such Patent, Trademark or Copyright, and each Grantor hereby appoints the Collateral Agent as its attorney-in-fact to execute and file such writings for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; such power, being coupled with an interest, is irrevocable.

(f) Each Grantor will take all necessary steps that are consistent with the practice in any proceeding before the United States Patent and Trademark Office, United States Copyright Office or any office or agency in any political subdivision of the United States or in any other country or any political subdivision thereof, to maintain and pursue each material application relating to the Patents, Trademarks and/or Copyrights (and to obtain the relevant grant or registration) and to maintain each issued Patent and each registration of the Trademarks and Copyrights that is used in the conduct of any Grantor's business, including timely filings of applications for renewal, affidavits of use, affidavits of incontestability and payment of maintenance fees, and, if consistent with good business judgment, to initiate opposition, interference and cancelation proceedings against third parties, except if the failure to do so would not have a Material Adverse Effect.

(g) In the event that any Grantor has reason to believe that any Collateral consisting of a Patent, Trademark or Copyright used in the conduct of any Grantor's business has been or is about to be infringed, misappropriated or diluted by a third party and such infringement, misappropriation or dilution would have a Material Adverse Effect, such Grantor promptly shall notify the Collateral Agent and shall, if consistent with good business judgment, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and take such other actions as are appropriate under the circumstances to protect such Collateral.

(h) Upon and during the continuance of an Event of Default, each Grantor shall use its best efforts (and without any obligation to make any payment therefor) to obtain all requisite consents or approvals by the licensor of each Copyright License, Patent License or Trademark License to effect the assignment of all of such Grantor's right, title and interest thereunder to the Collateral Agent or its designee.

SECTION 4.13. Certain Deposit Accounts. With respect to any deposit account located in California, Hawaii, Idaho, Illinois or Indiana or any other state in which on the date hereof or hereafter a security interest in a deposit account may be perfected by notifying the bank maintaining such deposit account of a secured party's security interest in such deposit account, the Grantors shall provide to each bank maintaining such a deposit account the notice necessary under the laws of the applicable state to perfect the Secured Parties'

security interest in such deposit account.

ARTICLE V

Power of Attorney

Each Grantor irrevocably makes, constitutes and appoints the Collateral Agent (and all officers, employees or agents designated by the Collateral Agent) as such Grantor's true and lawful agent and attorney-in-fact, and in such capacity the Collateral Agent shall have the right, with power of substitution for each Grantor and in each Grantor's name or otherwise, for the use and benefit of the Collateral Agent and the Secured Parties, upon the occurrence and during the continuance of an Event of Default (a) to receive, endorse, assign and/or deliver any and all notes, acceptances, checks, drafts, money orders or other evidences of payment relating to the Collateral or any part thereof; (b) to demand, collect, receive payment of, give receipt for and give discharges and releases of all or any of the Collateral; (c) to sign the name of any Grantor on any invoice or bill of lading relating to any of the Collateral; (d) to send verifications of Accounts Receivable to any Account Debtor; (e) to commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect or otherwise realize on all or any of the Collateral or to enforce any rights in respect of any Collateral; (f) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to all or any of the Collateral; (g) to notify, or to require any Grantor to notify, Account Debtors to make payment directly to the Collateral Agent; and (h) to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Collateral, and to do all other acts and things necessary to carry out the purposes of this Agreement, as fully and completely as though the Collateral Agent were the absolute owner of the Collateral for all purposes; provided, however, that nothing herein contained shall be construed as requiring or obligating the Collateral Agent or any Secured Party to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Collateral Agent or any Secured Party, or to present or file any claim or notice, or to take any action with respect to the Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby, and no action taken or omitted to be taken by the Collateral Agent or any Secured Party with respect to the Collateral or any part thereof shall give rise to any defense, counterclaim or offset in favor of any Grantor or to any claim or action against the Collateral Agent or any Secured Party. It is understood and agreed that the appointment of the Collateral Agent as the agent and attorney-in-fact of the Grantors for the purposes set forth above is coupled with an interest and is irrevocable. The provisions of this Section shall in no event relieve any Grantor of any of its obligations hereunder or under any other Loan Document with respect to the Collateral or any part thereof or impose any obligation on the Collateral Agent or any Secured Party to proceed in any particular manner

with respect to the Collateral or any part thereof, or in any way limit the exercise by the Collateral Agent or any Secured Party of any other or further right which it may have on the date of this Agreement or hereafter, whether hereunder, under any other Loan Document, by law or otherwise.

ARTICLE VI

Remedies

SECTION 6.01. Remedies upon Default. Upon the occurrence and during the continuance of an Event of Default, each Grantor agrees to deliver each item of Collateral to the Collateral Agent on demand, and it is agreed that the Collateral Agent shall have the right to take any of or all the following actions at the same or different times: (a) with respect to any Collateral consisting of Intellectual Property, on demand, to cause the Security Interest to become an assignment, transfer and conveyance of any of or all such Collateral by the applicable Grantors to the Collateral Agent, or to license or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any such Collateral throughout the world on such terms and conditions and in such manner as the Collateral Agent shall determine (other than in violation of any then-existing licensing arrangements to the extent that waivers cannot be obtained), and (b) with or without legal process and with or without prior notice or demand for performance, to take possession of the Collateral and without liability for trespass to enter any premises where the Collateral may be located for the purpose of taking possession of or removing the Collateral and, generally, to exercise any and all rights afforded to a secured party under the Uniform Commercial Code or other applicable law. Without limiting the generality of the foregoing, each Grantor agrees that the Collateral Agent shall have the right, subject to the mandatory requirements of applicable law, to sell or otherwise dispose of all or any part of the Collateral, at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as the Collateral Agent shall deem appropriate. The Collateral Agent shall be authorized at any such sale (if it deems it advisable to do so) to restrict the prospective bidders or purchasers to Persons who will represent and agree that they are purchasing the Collateral for their own account for investment and not with a view to the distribution or sale thereof, and upon consummation of any such sale the Collateral Agent shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any such sale shall hold the property sold absolutely, free from any claim or right on the part of any Grantor, and each Grantor hereby waives (to the extent permitted by applicable law) all rights of redemption, stay and appraisal which such Grantor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

The Collateral Agent shall give the Grantors 10 days' written notice

(which each Grantor agrees is reasonable notification within the meaning of Section 9-504(3) of the Uniform Commercial Code as in effect in the State of New York or its equivalent in other jurisdictions) of the Collateral Agent's intention to make any sale of Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral, or portion thereof, will

first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Collateral Agent may fix and state in the notice (if any) of such sale. At any such sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Collateral Agent may (in its sole and absolute discretion) determine. The Collateral Agent shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Collateral Agent until the sale price is paid by the purchaser or purchasers thereof, but the Collateral Agent shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by applicable law, private) sale made pursuant to this Section, any Secured Party may bid for or purchase, free (to the extent permitted by applicable law) from any right of redemption, stay, valuation or appraisal on the part of any Grantor (all said rights being also hereby waived and released to the extent permitted by applicable law), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any claim then due and payable to such Secured Party from any Grantor as a credit against the purchase price, and such Secured Party may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to any Grantor therefor. For purposes hereof, a written agreement to purchase the Collateral or any portion thereof shall be treated as a sale thereof; the Collateral Agent shall be free to carry out such sale pursuant to such agreement and no Grantor shall be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Collateral Agent shall have entered into such an agreement all Events of Default shall have been remedied and the Obligations paid in full. As an alternative to exercising the power of sale herein conferred upon it, the Collateral Agent may proceed by a suit or suits at law or in equity to foreclose this Agreement and to sell the Collateral or any portion thereof pursuant to a

judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver.

SECTION 6.02. Application of Proceeds. The Collateral Agent shall apply the proceeds of any collection or sale of the Collateral, as well as any Collateral consisting of cash, as follows:

FIRST, to the payment of all costs and expenses incurred by the Administrative Agent or the Collateral Agent (in its capacity as such hereunder or under any other Loan Document) in connection with such collection or sale or otherwise in connection with this Agreement or any of the Obligations, including all

court costs and the fees and expenses of its agents and legal counsel, the repayment of all advances made by the Collateral Agent hereunder or under any other Loan Document on behalf of any Grantor and any other costs or expenses incurred in connection with the exercise of any right or remedy hereunder or under any other Loan Document;

SECOND, to the payment in full of the Obligations (the amounts so applied to be distributed among the Secured Parties pro rata in accordance with the amounts of the Obligations owed to them on the date of any such distribution); and

THIRD, to the Grantors, their successors or assigns, or as a court of competent jurisdiction may otherwise direct.

The Collateral Agent shall have absolute discretion as to the time of application of any such proceeds, moneys or balances in accordance with this Agreement. Upon any sale of the Collateral by the Collateral Agent (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the Collateral Agent or of the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Collateral Agent or such officer or be answerable in any way for the misapplication thereof.

SECTION 6.03. Grant of License to Use Intellectual Property. For the purpose of enabling the Collateral Agent to exercise rights and remedies under this Article at such time as the Collateral Agent shall be lawfully entitled to exercise such rights and remedies, subject to the provisions of any license or other restriction applicable to such Collateral, each Grantor hereby grants to the Collateral Agent an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Grantors) to use, license or sub-license any of the Collateral consisting of Intellectual Property now owned or hereafter acquired by such Grantor, and wherever the same may be located, and

including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof. The use of such license by the Collateral Agent shall be exercised, at the option of the Collateral Agent, upon the occurrence and during the continuation of an Event of Default; provided that any license, sub-license or other transaction entered into by the Collateral Agent in accordance herewith shall be binding upon the Grantors notwithstanding any subsequent cure of an Event of Default.

ARTICLE VII

Miscellaneous

SECTION 7.01. Notices. All communications and notices hereunder shall be in writing and given as provided in Section 9.01 of the Credit Agreement. All communications and notices hereunder to any Subsidiary Guarantor shall be given to it at its address or telecopy number set forth on Schedule I, with a copy to the Borrower.

SECTION 7.02. Security Interest Absolute. All rights of the Collateral Agent hereunder, the Security Interest and all obligations of the Grantors hereunder shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Credit Agreement, any other Loan Document, any agreement with respect to any of the Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement, any other Loan Document or any other agreement or instrument, (c) any exchange, release or non-perfection of any Lien on other collateral, or any release or amendment or waiver of or consent under or departure from any guarantee, securing or guaranteeing all or any of the Obligations, or (d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Grantor in respect of the Obligations or this Agreement.

SECTION 7.03. Survival of Agreement. All covenants, agreements, representations and warranties made by any Grantor herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the Secured Parties and shall survive the making by the Lenders of the Loans, and the execution and delivery to the Lenders of any notes evidencing such Loans, regardless of any investigation made by the Lenders or the other Secured Parties or on their behalf, and shall continue in full force and effect until this Agreement shall terminate.

SECTION 7.04. Binding Effect; Several Agreement. This Agreement shall become effective as to any Grantor when a counterpart hereof executed on behalf

of such Grantor shall have been delivered to the Collateral Agent and a counterpart hereof shall have been executed on behalf of the Collateral Agent, and thereafter shall be binding upon such Grantor and the Collateral Agent and their respective successors and assigns, and shall inure to the benefit of such Grantor, the Collateral Agent and the other Secured Parties and their respective successors and assigns, except that no Grantor shall have the right to assign or transfer its rights or obligations hereunder or any interest herein or in the Collateral (and any such assignment or transfer shall be void) except as expressly contemplated by this Agreement or the Credit Agreement. This Agreement shall be construed as a separate

agreement with respect to each Grantor and may be amended, modified, supplemented, waived or released with respect to any Grantor without the approval of any other Grantor and without affecting the obligations of any other Grantor hereunder.

SECTION 7.05. Successors and Assigns. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Grantor or the Collateral Agent that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

SECTION 7.06. Collateral Agent's Fees and Expenses; Indemnification. (a) Each Grantor jointly and severally agrees to pay upon demand to the Collateral Agent the amount of any and all reasonable expenses, including the reasonable fees, disbursements and other charges of its counsel and of any experts or agents, which the Collateral Agent may incur in connection with (i) the administration of this Agreement (including the customary fees and charges of the Collateral Agent for any audits conducted by it or on its behalf with respect to the Accounts Receivable or Inventory), (ii) the custody or preservation of, or the sale of, collection from or other realization upon any of the Collateral, (iii) the exercise, enforcement or protection of any of the rights of the Collateral Agent hereunder or (iv) the failure of any Grantor to perform or observe any of the provisions hereof.

(b) Without limitation of its indemnification obligations under the other Loan Documents, each Grantor jointly and severally agrees to indemnify the Collateral Agent and the other Indemnitees against, and hold each of them harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable fees, disbursements and other charges of counsel, incurred by or asserted against any of them arising out of, in any way connected with, or as a result of, the execution, delivery or performance of this Agreement or any claim, litigation, investigation or proceeding relating hereto or to the Collateral, whether or not any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent

that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) Any such amounts payable as provided hereunder shall be additional Obligations secured hereby and by the other Security Documents. The provisions of this Section 7.06 shall remain operative and in full force and effect regardless of the termination of this Agreement or any other Loan Document, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Collateral Agent or any other Secured Party. All amounts due under this

Section 7.06 shall be payable on written demand therefor and shall bear interest at the rate specified in Section 2.13 (c) (ii) of the Credit Agreement.

SECTION 7.07. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. NOTWITHSTANDING THE FOREGOING, ALL PROVISIONS OF THIS AGREEMENT, TO THE EXTENT THEY RELATE TO DEPOSIT ACCOUNTS LOCATED IN THE STATE OF CALIFORNIA, SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF CALIFORNIA WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

SECTION 7.08. Waivers; Amendment. (a) No failure or delay of the Collateral Agent in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Collateral Agent hereunder and of the Collateral Agent and the other Secured Parties under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provisions of this Agreement or any other Loan Document or consent to any departure by any Grantor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any Grantor in any case shall entitle such Grantor or any other Grantor to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Collateral Agent and the Grantor or Grantors with respect to which such waiver, amendment or modification is to apply, with the prior written consent of the Required Lenders (except as otherwise provided by the Credit Agreement).

SECTION 7.09. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER

PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 7.09.

SECTION 7.10. Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7.11 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract (subject to Section 7.04), and shall become effective as provided in Section 7.04. Delivery of an executed signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

SECTION 7.12. Headings. Article and Section headings used herein are for the purpose of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 7.13. Jurisdiction; Consent to Service of Process. (a) Each Grantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent

permitted by law, in such Federal court. Each of the parties hereto 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 in this Agreement shall affect any right that the Collateral Agent or any other Secured Party may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against any Grantor or its properties in the courts of any jurisdiction.

(b) Each Grantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 7.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 7.14. Termination. This Agreement and the Security Interest shall terminate when all the principal of and interest on each Loan and all other fees and amounts payable under this Agreement or any other Loan Document have been indefeasibly paid in full in cash, the LC Exposure has been reduced to zero and the Commitments have been terminated. Upon any sale or other transfer by any Grantor of any Collateral that is permitted under the Credit Agreement to any Person that is not a Grantor, or, upon the effectiveness of any written consent to the release of the security interest granted hereby in any Collateral pursuant to Section 9.02(b) of the Credit Agreement, the security interest in such Collateral shall be automatically released. In connection with any termination or release pursuant to the preceding sentences, the Collateral Agent shall execute and deliver to the Grantors, at the Grantors' expense, all documents that such Grantor shall reasonably request to evidence such termination or release. Any execution and delivery of documents pursuant to this Section 7.14 shall be without recourse to or warranty by the Collateral Agent. If all the capital stock, membership interests or other equity interests of a Subsidiary Guarantor is (or are) sold, transferred or otherwise disposed of pursuant to a transaction permitted by Section 6.05 of the Credit Agreement, such Subsidiary Guarantor shall be released from its obligations under this Agreement without further action.

SECTION 7.15. Additional Grantors. Upon execution and delivery by the Collateral Agent and a Subsidiary of an instrument in the form of Annex 2 hereto, such Subsidiary shall become a Grantor hereunder with the same force and effect as if originally named as a Grantor herein. The execution and delivery of

any such instrument shall not require the consent of any Grantor hereunder. The rights and obligations of each Grantor hereunder shall remain in full force and effect notwithstanding the addition of any new Grantor as a party to this Agreement.

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

DJ ORTHOPEDICS, LLC,

by /s/ Cyril Talbot III

Name: Cyril Talbot III
Title: V.P., CFO and Secretary

DONJOY, L.L.C.,

by /s/ Cyril Talbot III

Name: Cyril Talbot III
Title: V.P., CFO and Secretary

EACH OF THE SUBSIDIARY GUARANTORS LISTED ON SCHEDULE I HERETO,

by /s/ Leslie H. Cross

Name: Leslie H. Cross
Title: Authorized Officer

FIRST UNION NATIONAL BANK, as Collateral Agent,

by /s/ J. Matt MacIver, Jr.

Name: J. Matt MacIver, Jr.
Title: Vice President

SUBSIDIARY GUARANTORS

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SCHEDULE II

COPYRIGHTS

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SCHEDULE III

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SCHEDULE IV

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SCHEDULE V

TRADEMARKS

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Annex 1 to the
Security Agreement

[Form Of]

PERFECTION CERTIFICATE

Reference is made to (a) the Credit Agreement dated as of June 30, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, Holdings, the lenders from time to time party thereto (the "Lenders"), FIRST UNION NATIONAL BANK, as administrative agent (in such capacity, the "Administrative Agent") and Collateral Agent, and THE CHASE MANHATTAN BANK, as Syndication Agent and as issuing bank (in such capacity, the "Issuing Bank") and (b) the Parent Guarantee Agreement dated as of June 30, 1999

(as amended, supplemented or otherwise modified from time to time, the "Parent Guarantee Agreement"), between Holdings and the Collateral Agent and (c) the Subsidiary Guarantee Agreement dated as of June 30, 1999 (as amended, supplemented or otherwise modified from time to time, the "Subsidiary Guarantee Agreement"), among the Subsidiary Guarantors and the Collateral Agent.

The undersigned, a Financial Officer and a legal officer, respectively, of Holdings, hereby certify to the Collateral Agent and each other Secured Party as follows:

1. Names. (a) The exact corporate or limited liability company name of each Grantor, as such name appears in its respective certificate of incorporation, is as follows:

(b) Set forth below is each other corporate or limited liability company name each Grantor has had in the past five years, together with the date of the relevant change:

(c) Except as set forth in Schedule 1 hereto, no Grantor has changed its identity or corporate structure in any way within the past five years. Changes in identity or corporate structure would include mergers, consolidations and acquisitions, as well as any change in the form, nature or jurisdiction of corporate organization. If any such change has occurred, include in Schedule 1 the information required by Sections 1 and 2 of this certificate as to each acquiree or constituent party to a merger or consolidation.

(d) The following is a list of all other names (including trade names or similar appellations) used by each Grantor or any of its divisions or other business units in connection with the conduct of its business or the ownership of its properties at any time during the past five years:

(e) Set forth below is the Federal Taxpayer Identification Number of each Grantor:

2. Current Locations. (a) The chief executive office of each Grantor is located at the address set forth opposite its name below:

Grantor	Mailing Address	County	State

(b) Set forth below opposite the name of each Grantor are all locations where such Grantor maintains any books or records relating to any Accounts Receivable (with each location at which chattel paper, if any, is kept being indicated by an "*"):

Grantor	Mailing Address	County	State

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(c) Set forth below opposite the name of each Grantor are all the places of business of such Grantor not identified in paragraph (a) or (b) above:

Grantor	Mailing Address	County	State
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(d) Set forth below opposite the name of each Grantor are all the locations where such Grantor maintains any Collateral not identified above:

Grantor	Mailing Address	County	State
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(e) Set forth below opposite the name of each Grantor are the names and addresses of all Persons other than such Grantor that have possession of any of the Collateral of such Grantor:

Grantor	Mailing Address	County	State
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3. Unusual Transactions. All Accounts Receivable have been originated by the Grantors and all Inventory has been acquired by the Grantors in the ordinary course of business.

4. File Search Reports. Attached hereto as Schedule 4(A) are true copies of file search reports from the Uniform Commercial Code filing offices where filings described in Section 3.16 of the Credit Agreement are to be made. Attached hereto as Schedule 4(B) is a true copy of each financing statement or other filing identified in such file search reports.

5. UCC Filings. Duly signed financing statements on Form UCC-1 in substantially the form of Schedule 5 hereto have been prepared for filing in the Uniform Commercial Code filing office in each jurisdiction where a Grantor has Collateral as identified in Section 2 hereof.

6. Schedule of Filings. Attached hereto as Schedule 6 is a schedule setting forth, with respect to the filings described in Section 5 above, each filing and the filing office in which such filing is to be made.

7. Filing Fees. All filing fees and Taxes payable in connection with the filings described in Section 5 above have been paid or will be paid by the end of the day on which the Effective Date occurs.

8. Equity Ownership. Attached hereto as Schedule 8 is a true and correct list of all the duly authorized, issued and outstanding stock, membership

interests or other equity interests of the Borrower and each Subsidiary and the record and beneficial owners of such stock, membership interests or other equity interests.

9. Notes. Attached hereto as Schedule 9 is a true and correct list of all notes held by Holdings and each subsidiary of Holdings and all intercompany notes between Holdings and each subsidiary of Holdings and between each subsidiary of Holdings and each other such subsidiary.

10. Advances. Attached hereto as Schedule 10 is (a) a true and correct list of all advances made by Holdings to any subsidiary of Holdings or made by any subsidiary of Holdings to Holdings or any other subsidiary of Holdings, which advances will be on and after the date hereof evidenced by one or more intercompany notes pledged to the Collateral Agent under the Pledge Agreement, and (b) a true and correct list of all unpaid intercompany transfers of goods sold and delivered by or to Holdings or any subsidiary of Holdings.

11. Mortgage Filings. Attached hereto as Schedule 11 is a schedule setting forth, with respect to the Mortgaged Property, (i) the exact corporate or limited liability company name of the corporation or limited liability company that owns such property as such name appears in its certificate of incorporation, (ii) if different from the name identified pursuant to clause (i), the exact name of the current record owner of such property reflected in the records of the filing office for such property identified pursuant to the following clause and (iii) the filing office in which the Mortgage must be filed or recorded in order for the Collateral Agent to obtain a perfected security interest therein.

IN WITNESS WHEREOF, the undersigned have duly executed this certificate on this 30th day of June, 1999.

DJ ORTHOPEDICS, LLC,

by

Name:
Title:[Financial Officer]

by

Name:

Title: [Legal Officer]

Annex 2 to the
Security Agreement

SUPPLEMENT NO. dated as of , to the Security Agreement dated as of June 30, 1999, among DJ ORTHOPEDICS, LLC, a Delaware limited liability company (the "Borrower"), DONJOY L.L.C., a Delaware limited liability company ("Holdings"), each subsidiary of the Borrower listed on Schedule I thereto (each such subsidiary individually a "Subsidiary Guarantor" and collectively, the "Subsidiary Guarantors"; the Subsidiary Guarantors, Holdings and the Borrower are referred to collectively herein as the "Grantors") and FIRST UNION NATIONAL BANK ("First Union"), as collateral agent (in such capacity, the "Collateral Agent") for the Secured Parties (as defined herein).

A. Reference is made to (a) the Credit Agreement dated as of June 30, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, Holdings, the lenders from time to time party thereto (the "Lenders"), First Union, as administrative agent for the Lenders (in such capacity, the "Administrative Agent") and Collateral Agent, and THE CHASE MANHATTAN BANK, as Syndication Agent and as issuing bank (in such capacity, the "Issuing Bank") and (b) the Parent Guarantee Agreement dated as of June 30, 1999 (as amended, supplemented or otherwise modified from time to time, the "Parent Guarantee Agreement"), between Holdings and the Collateral Agent and (c) the Subsidiary Guarantee Agreement dated as of June 30, 1999 (as amended, supplemented or otherwise modified from time to time, the "Subsidiary Guarantee Agreement"), among the Subsidiary Guarantors and the Collateral Agent.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Security Agreement and the Credit Agreement.

C. The Grantors have entered into the Security Agreement in order to induce the Lenders to make Loans and the Issuing Bank to issue Letters of Credit. Pursuant to Section 5.12 of the Credit Agreement, the Borrower is required to cause each Subsidiary that was not in existence or not a Subsidiary on the date of the Credit Agreement to enter into the Security Agreement as a Grantor upon becoming a Subsidiary that is a Subsidiary Loan Party. Section 7.15 of Security Agreement provides that additional Subsidiaries of the Borrower may become Grantors under the Security Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "New Grantor") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Grantor under the Security Agreement in order to induce the Lenders to make additional Loans and the Issuing Bank to issue additional Letters of Credit and as consideration for Loans previously made and Letters of Credit previously issued.

Accordingly, the Collateral Agent and the New Grantor agree as follows:

SECTION 1. In accordance with Section 7.15 of the Security Agreement, the New Grantor by its signature below becomes a Grantor under the Security Agreement with the same force and effect as if originally named therein as a Grantor and the New Grantor hereby (a) agrees to all the terms and provisions of the Security Agreement applicable to it as a Grantor thereunder and (b) represents and warrants that the representations and warranties made by it as a Grantor thereunder are true and correct on and as of the date hereof. In furtherance of the foregoing, the New Grantor, as security for the payment and performance in full of the Obligations, does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on all of the New Grantor's right, title and interest in and to the Collateral of the New Grantor. Each reference to a "Grantor" in the Security Agreement shall be deemed to include the New Grantor. The Security Agreement is hereby incorporated herein by reference.

SECTION 2. The New Grantor represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Grantor and the Collateral Agent. Delivery of an executed signature page to this Supplement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. The New Grantor hereby represents and warrants that (a) set forth on Schedule I attached hereto is a true and correct schedule of the location of any and all Collateral of the New Grantor and (b) set forth under its signature hereto, is the true and correct location of the chief executive office of the New Grantor.

SECTION 5. Except as expressly supplemented hereby, the Security Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the

validity, legality and enforceability of the remaining provisions contained herein and in the Security Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity

of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall be in writing and given as provided in Section 7.01 of the Security Agreement. All communications and notices hereunder to the New Grantor shall be given to it at the address set forth under its signature below.

SECTION 9. The New Grantor agrees to reimburse the Collateral Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, other charges and disbursements of counsel for the Collateral Agent.

IN WITNESS WHEREOF, the New Grantor and the Collateral Agent have duly executed this Supplement to the Security Agreement as of the day and year first above written.

[Name Of New Grantor],

by

Name:
Title:

Address:

FIRST UNION NATIONAL BANK, as
Collateral Agent,

by

Name:
Title:

SCHEDULE I
to Supplement No. to the
Security Agreement

LOCATION OF COLLATERAL

Description	Location

EXHIBIT 10.17

EXECUTION COPY

LEASEHOLD DEED OF TRUST, SECURITY AGREEMENT, AND ASSIGNMENT OF LEASES AND RENTS

==========

made by

D.J. Orthopedics, LLC,
as Grantor

to

FIRST AMERICAN TITLE INSURANCE COMPANY,
as Trustee

for the benefit of

FIRST UNION NATIONAL BANK,
as Collateral Agent, as Beneficiary

==========

Prepared Out of State by and,
When Recorded, Mail to:

Amy Delsack, Esq.
Cravath, Swaine & Moore
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019-7475

LEASEHOLD DEED OF TRUST, SECURITY AGREEMENT, FIXTURE FILING
AND ASSIGNMENT OF LEASES AND RENTS

THIS LEASEHOLD DEED OF TRUST, SECURITY AGREEMENT AND ASSIGNMENT OF LEASES AND RENTS dated as of June 30, 1999 (this "Deed of Trust"), by DJ Orthopedics, LLC, a Delaware limited liability corporation, having an office at 2985 Scott Street, Vista California, 92083 (the "Grantor"), to First American Title Insurance Company, 114 East Fifth Street, Santa Ana, California 92701 as trustee ("Trustee") for the benefit of FIRST UNION NATIONAL BANK, a New York banking corporation ("First Union"), having an office at 301 South College Street, Charlotte, North Carolina 28288 as collateral agent (in such capacity, the "Collateral Agent") for the benefit of the Secured Parties (as defined below) (the "Beneficiary");

WITNESSETH THAT:

A. Reference is made to the Credit Agreement dated as of June 30, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Grantor, DonJoy, L.L.C. ("DonJoy"), a Delaware limited liability company, the financial institutions party thereto as lenders (together with the Swingline Lender (as defined below) the "Lenders"), First Union, as administrative agent (in such capacity, the "Administrative Agent") and as Collateral Agent and The Chase Manhattan Bank, as syndication agent, as the issuing bank (in such capacity, the "Issuing Bank") and as swingline lender (in such capacity, the "Swingline Lender"). As used herein, the term "Secured Parties" shall mean (i) the Lenders, (ii) the Administrative Agent, (iii) the Collateral Agent, (iv) the Issuing Bank, (v) each counterparty to a Hedging Agreement entered into with the Borrower if such counterparty was a Lender (or an Affiliate of a Lender) at the time the Hedging Agreement was entered into, (vi) the beneficiaries of each indemnification obligation undertaken by the Borrower under any Loan Document and (vii) the successors and permitted assigns of each of the foregoing. Pursuant to the Credit Agreement, (i) the Lenders have lent or agreed to lend to the Borrower (a) on a term basis, Term Loans (such term and each other capitalized term used herein but not defined herein shall have the meaning assigned to such term in the Credit Agreement) in an aggregate principal amount not in excess of $28,500,000, and (b) on a revolving basis, Revolving Loans, at any time after the

Effective Date and from time to time prior to the Revolving Maturity Date, in an aggregate principal amount at any time outstanding not in excess of the difference between $25,000,000 and the sum of (x) the aggregate principal amount of the Swingline Loans outstanding at such time and (y) the L/C Exposure at such time, (ii) the Issuing Bank has agreed to issue Letters of Credit at any time and from time to time prior to the Revolving Maturity Date, in an aggregate stated amount at any time outstanding not in excess of the lesser of (A) $5,000,000 and (B) the difference between $25,000,000 and the sum of (x) the aggregate principal amount of the Swingline Loans outstanding at such time and (y) the L/C Exposure at such time and (iii) the Swingline Lender has agreed to lend, on a revolving basis, Swingline Loans, at any time and from time to time prior to the Revolving Maturity Date, in an aggregate principal amount at any time outstanding not in excess of the lesser of (A) $2,500,000 and (B) the difference between $25,000,000 and the sum of (x) the aggregate principal amount of the Swingline Loans outstanding at such time and (y) the L/C Exposure at such time.

B. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit under the Credit Agreement are conditioned upon, among other things, the execution and delivery by the Grantor of this Deed of Trust in the form hereof, to secure the due and punctual payment of (a) the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (b) each payment required to be made by the Grantor under the Credit Agreement in respect of any Letter of Credit, when and as due, including payments in respect of reimbursement of disbursements, interest thereon and obligations to provide cash collateral, (c) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Grantor to the Secured Parties under the Credit Agreement, this Deed of Trust and the other Loan Documents to which the Grantor is or is to be a party, (d) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Grantor under or pursuant to the Credit Agreement, this Deed of Trust and the other Loan Documents and (e) the due and punctual payment and performance of all obligations of the Grantor under each Hedging Agreement entered into with a counterparty that was a Lender (or an Affiliate of a Lender) at the time such Hedging Agreement was entered into (all the obligations referred to in the preceding clauses (a) through (e) being referred to collectively, as the "Obligations").

C. Grantor is the subtenant under that certain sublease dated as of June _, 1999, by and between, Smith & Nephew, Inc. as sublessor, and Grantor as sublessee (such lease as amended, supplemented or otherwise modified from time to time, the "Subject Lease").

NOW THEREFORE, IN CONSIDERATION OF the foregoing and in order to secure (A) the due and punctual payment and performance of the Obligations, (B) the due and punctual payment by the Grantor of all taxes and insurance premiums relating to the Trust Property and (C) all disbursements made by Beneficiary for the payment of taxes, common area charges or insurance premiums, all fees, expenses or advances in connection with or relating to the Trust Property, and interest on such disbursements and other amounts not timely paid in accordance with the terms of the Credit Agreement, this Deed of Trust and the other Loan Documents, Grantor hereby grants, conveys, mortgages, assigns and grants a security interest in and pledges to the Trustee, IN TRUST FOREVER, with power of sale, for the benefit of Beneficiary (for the ratable benefit of the Secured Parties), a security interest in, all the following described property (the "Trust Property") whether now owned or held or hereafter acquired:

(1) all Grantor's right, title and interest in the subleasehold estate in the land more particularly described on Exhibit A hereto (the "Land"), as created by the Subject Lease, including all rights of Grantor under the Subject Lease, including the easements over certain other adjoining land granted by any easement agreements, covenant or restrictive agreements and all air rights, mineral rights, water rights, oil and gas rights and development rights, if any, relating thereto, and also together with all of the other easements, rights, privileges, interests, hereditaments and appur tenances thereunto belonging or in anyway appertaining and all of the estate, right, title, interest, claim or demand whatsoever of Grantor therein and in the streets and ways adjacent thereto, either in law or in equity, in possession or expectancy, now or hereafter acquired (the "Premises");

(2) all Grantor's right, title and interest in all buildings, improvements, structures, paving, parking areas, walkways and landscaping now or hereafter erected or located upon the Land, and all fixtures of every kind and type affixed to the Premises or attached to or forming part of any structures, buildings or improvements and replacements thereof now or hereafter erected or located upon the Land (the "Improvements");

(3) all Grantor's right, title and interest in all apparatus, movable appliances, building materials, equipment, fittings, furnishings, furniture, machinery and other articles of tangible personal property of every kind and nature, and replacements thereof, now or at any time

hereafter placed upon or used in any way in connection with the use, enjoyment, occupancy or operation of the Improvements or the Premises, including all of Grantor's books and records relating thereto and including all pumps, tanks, goods, machinery, tools, equipment, lifts (including fire sprinklers and alarm systems, fire prevention or control systems, cleaning rigs, air conditioning, heating, boilers, refrigerating, electronic monitoring, water, loading, unloading, lighting, power, sanitation, waste removal, entertainment, communications, computers, recreational, window or structural, maintenance, truck or car repair and all other equipment of every kind), restaurant, bar and all other indoor or outdoor furniture (including tables, chairs, booths, serving stands, planters, desks, sofas, racks, shelves, lockers and cabinets), bar equipment, glasses, cutlery, uniforms, linens, memorabilia and other decorative items, furnishings, appliances, supplies, inventory,

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rugs, carpets and other floor coverings, draperies, drapery rods and brackets, awnings, venetian blinds, partitions, chandeliers and other lighting fixtures, freezers, refrigerators, walk-in coolers, signs (indoor and outdoor), computer sys tems, cash registers and inventory control systems, and all other apparatus, equipment, furniture, furnishings, and articles used in connection with the use or operation of the Improvements or the Premises, it being understood that the enumeration of any specific articles of property shall in no way result in or be held to exclude any items of property not specifically mentioned, provided that, to the extent inconsistent with the Loan Documents, the definitions in the Loan Documents shall control (the property referred to in this subparagraph (3), the "Personal Property");

(4) all Grantor's right, title and interest in all general intangibles relating to design, development, operation, management and use of the Premises or the Improvements, all certificates of occupancy, zoning variances, building, use or other permits, approvals, authorizations and consents obtained from and all materials prepared for filing or filed with any governmental agency in connection with the development, use, operation or management of the Premises and Improvements, all construction, service, engineering, consulting, leasing, architectural and other similar contracts concerning the design, construction, management, operation, occupancy and/or use of the Premises and Improvements, all architectural drawings, plans, specifications, soil tests, feasibility studies, appraisals, environmental studies, engi neering reports and similar materials relating to any portion of or all of the Premises and Improvements, and all payment and performance bonds or warranties or guarantees relating to the Premises or the Improvements, all to the extent assignable provided that, to the extent inconsistent

with the Loan Documents, the definitions in the Loan Documents shall control (the "Permits, Plans and Warranties");

(5) Grantor's interest in and rights under any and all now or hereafter existing leases or licenses (under which Grantor is landlord or licensor) and subleases (subject to prohibitions therein) (under which Grantor is sublandlord), concession, management, mineral or other agreements of a similar kind that permit the use or occupancy of the Premises or the Improvements for any purpose in return for any payment, or the extraction or taking of any gas, oil, water or other minerals from the Premises in return for payment of any fee, rent or royalty (collectively, "Leases"), and all agreements or contracts for the sale or other disposition of all or any part of the Premises or the Improvements, now or hereafter entered into by Grantor, together with all charges, fees, income, issues, profits, receipts, rents, revenues or royalties payable thereunder ("Rents");

(6) Subject to Section 5.08 of the Credit Agreement, all Grantor's right, title and interest in and to all real estate tax refunds and all proceeds of the conversion, voluntary or involuntary, of any of the Trust Property into cash or liquidated claims ("Proceeds"), including Proceeds of insurance maintained by the Grantor and condemnation awards, any awards that may become due by reason of the taking by eminent domain or any transfer in lieu thereof of the whole or any part of the Premises or Improvements or any rights appurtenant thereto, and any awards for change of grade of streets, together with any and all moneys now or hereafter on

deposit for the payment of real estate taxes, assessments or common area charges levied against the Trust Property, unearned premiums on policies of fire and other insurance maintained by the Grantor covering any interest in the Trust Property or required by the Credit Agreement; and

(7) all Grantor's right, title and interest in and to all extensions, improvements, betterments, renewals, substitutes and replacements of and all additions and appurtenances to, the Land, the Premises, the Improvements, the Personal Property, the Permits, Plans and Warranties and the Leases, hereinafter acquired by or released to the Grantor or constructed, assembled or placed by the Grantor on the Land, the Premises or the Improvements, and all conversions of the security constituted thereby, immediately upon such acquisition, release, construction, assembling, placement or conversion, as the case may be, and in each such case, without any further mortgage, deed of trust,

conveyance, assignment or other act by the Grantor, all of which shall become subject to the lien of this Deed of Trust as fully and completely, and with the same effect, as though now owned by the Grantor and specifically described herein.

TO HAVE AND TO HOLD the Trust Property unto the Trustee, its successors and assigns, for the benefit of Beneficiary (for the ratable benefit of the Secured Parties), forever, subject only to the Permitted Encumbrances (as hereinafter defined) and to satisfaction and cancelation as provided in Section 3.04. IN TRUST NEVERTHELESS, upon the terms and trust herein set forth for the benefit and security of the Beneficiary.

ARTICLE I

Representations, Warranties and Covenants of Grantor

Grantor agrees, covenants, represents and/or warrants as follows:

SECTION 1.01. Title. (a) Grantor is lawfully seized and possessed of, and has a valid, subsisting leasehold estate in the Land and Improvements subject to no lien, charge or encumbrance, and this Deed of Trust is and will remain a valid and enforceable first and prior lien on the Premises, Improvements and the Rents subject only to, in each case, Liens permitted by Section 6.02 of the Credit Agreement and the exceptions and encumbrances referred to in Schedule B to the title insurance policy being issued to insure the lien of this Deed of Trust (collectively, the "Permitted Encumbrances").

(b) Grantor has good and marketable title to or a leasehold interest in all the Personal Property subject to no lien, charge or encumbrance other than this Deed of Trust and the Permitted Encumbrances and as otherwise permitted by the Credit Agreement. Except as may be permitted under the Credit Agreement, the Personal Property is not and will not become the subject matter of any lease or other arrangement that is not a Permitted Encumbrance whereby the ownership of any Personal Property will be held by any person or entity other than Grantor; except as permitted under the Credit Agreement, none of the Personal Property will be removed from the Premises or the Improvements unless the same is no longer needed for the continued operation of the Premises and the Improvements as

currently operated (or as then operated, to the extent that any change from the current manner of operation was permitted by the Credit Agreement) or is replaced by other Personal Property of substantially equal or greater utility

and value; and Grantor will not create or cause to be created (other than Permitted Encumbrances) any security interest covering any of the Personal Property other than the security interest in the Personal Property created in favor of Beneficiary by this Deed of Trust or any other agreement collateral hereto. The Trust Property is served by water, gas, electric, septic storm and sanitary sewage facilities, and such utilities serving the Premises and the Improvements are located in and in the future will be located fully within the Premises. There is vehicular access to the Premises and the Improvements which is provided by, either a public right-of-way abutting and contiguous with the Land or valid recorded unsubordinated easements.

(c) Except as set forth on Schedule A hereto, there are no leases affecting a material portion of the Trust Property. Each Lease is in full force and effect, and, except as set forth on Schedule A hereto, Grantor has not given, nor to Grantor's knowledge has it received, any uncured or unwaived notice of default with respect to any material obligation under any Lease. Each Lease is subject to no lien, charge or encumbrance other than this Deed of Trust and the Permitted Encumbrances. Grantor has not received any notice of, nor has any knowledge of any pending or contemplated condemnation proceeding affecting the Trust Property or any sale or disposition thereof in lieu of condemnation.

(d) All easement agreements, covenant or restrictive agreements, supplemental agreements and any other instruments hereinabove referred to and mortgaged hereby are and will remain valid, subsisting and in full force and effect, unless the failure to remain valid, subsisting and in full force and effect, individually or in the aggregate, could not reasonably be expected to have a material adverse effect on the Trust Property, and Grantor is not in default thereunder and has fully performed the material terms thereof required to be performed through the date hereof, and has no knowledge of any default thereunder or failure to fully perform the terms thereof by any other party, nor of the occurrence of any event that after notice or the passage of time or both will constitute a default thereunder.

(e) Grantor has good and lawful right and full power and authority to mortgage the Trust Property and will forever warrant and defend its title to the Trust Property, the rights of Beneficiary therein under this Deed of Trust and the validity and priority of the lien of this Deed of Trust thereon against the claims of all persons and parties except those having rights under Permitted Encumbrances to the extent of those rights.

(f) This Deed of Trust, when duly recorded in the appropriate public records and when financing statements are duly filed in the appropriate public records, will create a valid and enforceable lien upon and security interest in all the Trust Property and there will be no defenses or offsets to this Deed of Trust that will be asserted by Grantor or its Affiliates (or any third party defense or offset now known to Grantor or its Affiliates) or to any of the Obligations secured hereby for so long as any portion of the Obligations is outstanding, other than payment of the Obligations.

SECTION 1.02. Credit Agreement; Certain Amounts. (a) This Deed of Trust is given pursuant to the Credit Agreement. Each and every term and provision of

Agreement (excluding the governing law provisions thereof), including the rights, remedies, obligations, covenants, conditions, agreements, indemnities, representations and warranties of the parties thereto shall be considered as if a part of this Deed of Trust and to the extent there is a specific conflict between the terms hereof and the terms of the Credit Agreement (except with respect to Section 1.01 hereof), the terms of the Credit Agreement shall control.

(b) If any remedy or right of Trustee or Beneficiary pursuant hereto is acted upon by Trustee or Beneficiary or if any actions or proceedings (including any bankruptcy, insolvency or reorganization proceedings) are commenced in which Trustee or Beneficiary is made a party and is obliged to defend or uphold or enforce this Deed of Trust or the rights of Trustee or Beneficiary hereunder or the terms of any Lease, or if a condemnation proceeding is instituted affecting the Trust Property, Grantor will pay all reasonable sums, including reasonable attorneys' fees and disbursements, incurred by Trustee or Beneficiary related to the exercise of any remedy or right of Trustee or Beneficiary pursuant hereto or for the reasonable expense of any such action or proceeding together with all statutory or other costs, disbursements and allowances, interest thereon from the date of demand for payment thereof at the rate specified in clause (b) of Section 2.07 of the Credit Agreement (the "Default Interest Rate"), and such sums and the interest thereon shall, to the extent permissible by law, be a lien on the Trust Property prior to any right, title to, interest in or claim upon the Trust Property attaching or accruing subsequent to the recording of this Deed of Trust and shall be secured by this Deed of Trust to the extent permitted by law. Any payment of amounts due to Trustee or Beneficiary under this Deed of Trust not made on or before the due date for such payments shall accrue interest daily without notice from the due date until paid at the Default Interest Rate, and such interest at the Default Interest Rate shall be immediately due upon demand by Trustee or Beneficiary.

SECTION 1.03. Payment of Taxes, Liens and Charges. (a) Except as may be permitted by Section 5.03 of the Credit Agreement, Grantor will pay and discharge from time to time prior to the time when the same shall become delinquent, and before any interest or penalty accrues thereon or attaches thereto, all taxes of every kind and nature, all general and special assessments, levies, permits, inspection and license fees, all water and sewer rents, all vault charges, and all other public charges, and all service charges, common area charges, private maintenance charges, utility charges and all other private charges, whether of a like or different nature, imposed upon or assessed against the Trust Property or any part thereof or upon the Rents from the Trust Property or arising in respect of the occupancy, use or possession thereof.

(b) At any time that an Event of Default shall occur hereunder and be continuing, or if required by any law applicable to Grantor or to Beneficiary, Beneficiary shall have the right to direct Grantor to make an initial deposit on account of real estate taxes and assessments, insurance premiums and common area charges, levied against or payable in respect of the Trust Property in advance and thereafter semi-annually, each such deposit to be equal to one-half of any such annual charges estimated in a reasonable manner by Beneficiary in order to accumulate with Beneficiary sufficient funds to pay such taxes, assessments, insurance premiums and charges.

SECTION 1.04. Payment of Closing Costs. Grantor shall pay all costs in connection with, relating to or arising out of the preparation, execution and recording of this Deed of Trust, including title company premiums and charges, inspection costs, survey costs, recording fees and taxes which are due, reasonable attorneys', engineers', appraisers' and consultants' fees and disbursements and all other similar reasonable expenses of every kind.

SECTION 1.05. Alterations and Waste; Plans. (a) Except as may be permitted under the Credit Agreement, no Improvements will be materially altered or demolished or removed in whole or in part by Grantor. Grantor will not erect any additions to the existing Improvements or other structures on the Premises which will materially interfere with the operation conducted thereon on the date hereof, without the written consent of Beneficiary. Grantor will not commit any waste on the Trust Property or make any alteration to, or change in the use of, the Trust Property that will diminish the utility thereof for the operation of the business except as may be permitted under the Credit Agreement or materially in crease any ordinary fire or other hazard arising out of construction or operation, but in no event shall any such alteration or change be contrary to the terms of any insurance policy required to be kept pursuant to Section 1.06. In accordance with the Credit Agreement, Grantor will maintain and operate the Improvements and Personal Property in good repair, working order and condition, reasonable wear and tear excepted.

(b) To the extent the same exist on the date hereof or are obtained in connection with future permitted alterations, Grantor shall maintain a complete set of final plans, specifications, blueprints and drawings for the Trust Property either at the Trust Property or in a particular office at the headquarters of Grantor to which Beneficiary shall have access upon reasonable advance notice and at reasonable times.

SECTION 1.06. Insurance. Grantor will keep or cause to be kept the Improvements and Personal Property insured against such risks, and in the

manner, required by Section 5.02 of the Credit Agreement.

SECTION 1.07. Casualty; Restoration of Casualty Damage. The Grantor shall, in accordance with Section 5.12 of the Credit Agreement, give Beneficiary prompt written notice of any Casualty to the Trust Property. Subject to the limitations and provisions of Section 5.12 of the Credit Agreement, payment of any loss will be made directly in its entirety to Beneficiary and any such proceeds relating to a Casualty shall be held or applied by Beneficiary in accordance with Section 5.12 of the Credit Agreement.

SECTION 1.08. Condemnation/Eminent Domain. The Grantor shall, in accordance with Section 5.12 of the Credit Agreement, notify the Beneficiary promptly upon obtaining knowledge of any pending or threatened Condemnation of the Trust Property. All Condemnation Proceeds shall be held and applied by Beneficiary in accordance with Section 5.12 of the Credit Agreement.

SECTION 1.09. Assignment of Leases and Rents. (a) Grantor hereby irrevocably and absolutely grants, transfers and assigns to the Trustee for the benefit of Beneficiary (for the ratable benefit of the Secured Parties), all of its right title and interest in all Leases, together with any and all extensions and renewals thereof for purposes of securing and discharging the

performance by Grantor of the Obligations. Grantor has not assigned or executed any assignment of, and will not assign or execute any assignment of, any other Lease or their respective Rents to anyone other than Trustee for the benefit of Beneficiary (for the ratable benefit of the Secured Parties).

(b) Without Beneficiary's prior written consent, Grantor will not (i) modify, amend, terminate or consent to the cancelation or surrender of any Lease if such modification, amendment, termination or consent would, in the reasonable judgment of the Beneficiary, be adverse in any material respect to the interests of the Lenders, the value of the Trust Property or the lien created by this Deed of Trust or (ii) consent to an assignment of any tenant's interest in any Lease or to a subletting thereof covering a material portion of the Trust Property.

(c) Subject to Section 1.09(d), Grantor has assigned and transferred to Trustee for the benefit of Beneficiary (for the ratable benefit of the Secured Parties) all of Grantor's right, title and interest in and to the Rents now or hereafter arising from each Lease heretofore or hereafter made or agreed to by Grantor, it being intended that this assignment establish, subject to Section 1.09(d), an absolute transfer and assignment of all Rents and all Leases to Beneficiary and not merely to grant a security interest therein. Subject to Section 1.09(d), Beneficiary may in Grantor's name and stead (with or without first taking possession of any of the Trust Property personally or by receiver as provided herein) operate the Trust Property and rent, lease or let all or any

portion of any of the Trust Property to any party or parties at such rental and upon such terms as Beneficiary shall, in its sole discretion, determine, and may collect and have the benefit of all of said Rents arising from or accruing at any time thereafter or that may thereafter become due under any Lease.

(d) So long as an Event of Default shall not have occurred and be continuing, Beneficiary will not exercise any of its rights under Section 1.09(c), and Grantor shall receive and collect the Rents accruing under any Lease; but after the happening and during the continuance of any Event of Default, Beneficiary may, at its option, receive and collect all Rents and enter upon the Premises and Improvements through its officers, agents, employees or attorneys for such purpose and for the operation and maintenance thereof. Grantor hereby irrevocably authorizes and directs each tenant, if any, and each successor, if any, to the interest of any tenant under any Lease, respectively, to rely upon any notice of a claimed Event of Default sent by Beneficiary to any such tenant or any of such tenant's successors in interest, and thereafter to pay Rents to Beneficiary without any obligation or right to inquire as to whether an Event of Default actually exists and even if some notice to the contrary is received from the Grantor, who shall have no right or claim against any such tenant or successor in interest for any such Rents so paid to Beneficiary. Each tenant or any of such tenant's successors in interest from whom Beneficiary or any officer, agent, attorney or employee of Beneficiary shall have collected any Rents, shall be authorized to pay Rents to Grantor only after such tenant or any of their successors in interest shall have received written notice from Beneficiary that the Event of Default is no longer continuing, unless and until a further notice of an Event of Default is given by Beneficiary to such tenant or any of its successors in interest.

(e) Beneficiary will not become a mortgagee in possession so long as it does not enter or take actual possession of the Trust Property. In addition, Beneficiary shall not be responsible or liable for performing any of the obligations of the landlord under any Lease, for any waste by any tenant, or others, for any dangerous or defective conditions of any of the Trust Property, for negligence in the management, upkeep, repair or control of any of the Trust Property or any other act or omission by any other person.

(f) Grantor shall furnish to Beneficiary, within 30 days after a request by Beneficiary to do so, a written statement containing the names of all tenants, subtenants and concessionaires of the Premises or Improvements, the terms of any Lease, the space occupied and the rentals or license fees payable thereunder.

SECTION 1.10. Restrictions on Transfers and Encumbrances. Except as permitted by the Credit Agreement, Grantor shall not directly or indirectly sell, convey, alienate, assign, lease, sublease, license, mortgage, pledge, encumber or otherwise transfer, create, consent to or suffer the creation of any lien, charges or any form of encumbrance upon any interest in or any part of the Trust Property, or be divested of its title to the Trust Property or any interest therein in any manner or way, whether voluntarily or involuntarily (other than resulting from a Condemnation), or engage in any common, cooperative, joint, time-sharing or other congregate ownership of all or part thereof; provided, however, that Grantor may in the ordinary course of business within reasonable commercial standards, enter into easement or covenant agreements that relate to and/or benefit the operation of the Trust Property and that do not materially or adversely affect the use and operation of the same (except for customary utility easements that service the Trust Property, which are permitted).

SECTION 1.11. Security Agreement. This Deed of Trust is both a mortgage of real property and a grant of a security interest in personal property, and shall constitute and serve as a "Security Agreement" within the meaning of the uniform commercial code as adopted in the state wherein the Premises are located ("UCC"). Grantor has hereby granted unto Beneficiary a security interest in and to all the Trust Property described in this Deed of Trust that is not real property, and simultaneously with the recording of this Deed of Trust, Grantor has filed or will file UCC financing statements, and will file continuation statements prior to the lapse thereof, at the appropriate offices in the state in which the Premises are located to perfect the security interest granted by this Deed of Trust in all the Trust Property that is not real property. Grantor hereby appoints Beneficiary as its true and lawful attorney-in-fact and agent, for Grantor and in its name, place and stead, in any and all capacities, to execute any document and to file the same in the appropriate offices (to the extent it may lawfully do so), and to perform each and every act and thing reasonably requisite and necessary to be done to perfect the security interest contemplated by the preceding sentence. Beneficiary shall have all rights with respect to the part of the Trust Property that is the subject of a security interest afforded by the UCC in addition to, but not in limitation of, the other rights afforded Beneficiary hereunder and under the Security Agreement.

SECTION 1.12. Filing and Recording. Grantor will cause this Deed of Trust, any other security instrument creating a security interest in or evidencing the lien hereof upon the Trust Property and each instrument of further assurance to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to

publish notice of and fully to protect the lien hereof upon, and the security

interest of Beneficiary in, the Trust Property. Grantor will pay all filing, registration or recording fees, and all reasonable expenses incidental to the execution and acknowledgment of this Deed of Trust, any mortgage supplemental hereto, any security instrument with respect to the Personal Property, and any instrument of further assurance and all Federal, state, county and municipal recording, documentary or intangible taxes and other taxes, duties, imposts, assessments and charges arising out of or in connection with the execution, delivery and recording of this Deed of Trust, any mortgage supplemental hereto, any security instrument with respect to the Personal Property or any instrument of further assurance.

SECTION 1.13. Further Assurances. Upon demand by Beneficiary, Grantor will, at the cost of Grantor and without expense to Trustee or Beneficiary, do, execute, acknowledge and deliver all such further acts, deeds, conveyances, mortgages, assignments, notices of assignment, transfers and assurances as Beneficiary shall from time to time reasonably require for the better assuring, conveying, assigning, transferring and confirming unto Beneficiary the property and rights hereby conveyed or assigned or intended now or hereafter so to be, or which Grantor may be or may hereafter become bound to convey or assign to Beneficiary, or for carrying out the intention or facilitating the performance of the terms of this Deed of Trust, or for filing, registering or recording this Deed of Trust, and on demand, Grantor will also execute and deliver and hereby appoints Beneficiary as its true and lawful attorney-in-fact and agent, for Grantor and in its name, place and stead, in any and all capacities, to execute and file to the extent it may lawfully do so, one or more financing statements, chattel mortgages or comparable security instruments reasonably requested by Beneficiary to evidence more effectively the lien hereof upon the Personal Property and to perform each and every act and thing requisite and necessary to be done to accomplish the same.

SECTION 1.14. Additions to Trust Property. All right, title and interest of Grantor in and to all extensions, improvements, betterments, renewals, substitutes and replacements of, and all additions and appurtenances to, the Trust Property hereafter acquired by or released to Grantor or constructed, assembled or placed by Grantor upon the Premises or the Improvements, and all conversions of the security constituted thereby, immediately upon such acquisition, release, construction, assembling, placement or conversion, as the case may be, and in each such case without any further mortgage, conveyance, assignment or other act by Grantor, shall become subject to the lien and security interest of this Deed of Trust as fully and completely and with the same effect as though now owned by Grantor and specif ically described in the grant of the Trust Property above, but at any and all times Grantor will execute and deliver to Beneficiary any and all such further assurances, mortgages, conveyances or assignments thereof as Beneficiary may reasonably require for the purpose of expressly and specifically subjecting the same to the lien and security interest of this Deed of Trust.

SECTION 1.15. No Claims Against Trustee or Beneficiary. Nothing contained in this Deed of Trust shall constitute any consent or request by Trustee or Beneficiary, express or implied, for the performance of any labor or services or the furnishing of any materials or other property in respect of the Trust

Property or any part thereof, nor as giving Grantor any right, power or authority to contract for or permit the performance of any labor or services or

the furnishing of any materials or other property in such fashion as would permit the making of any claim against Trustee or Beneficiary in respect thereof.

SECTION 1.16. Fixture Filing. Certain of the Trust Property is or will become "fixtures" (as that term is defined in the UCC) on the Land, and this Deed of Trust upon being filed for record in the real estate records of the county wherein such fixtures are situated shall operate also as a financing statement filed as a fixture filing in accordance with the applicable provisions of said UCC upon such of the Trust Property that is or may become fixtures.

ARTICLE II

Defaults and Remedies

SECTION 2.01. Events of Default. It shall be an Event of Default under this Deed of Trust if any Event of Default (as therein defined) shall exist pursuant to the Credit Agreement.

SECTION 2.02. Demand for Payment. If an Event of Default shall occur and be continuing, then, upon written demand of Beneficiary, Grantor will pay to Beneficiary all amounts due hereunder and such further amount as shall be sufficient to cover the costs and expenses of collection, including attorneys' fees, disbursements and expenses incurred by Trustee or Beneficiary and Trustee or Beneficiary shall be entitled and empowered to institute an action or proceedings at law or in equity for the collection of the sums so due and unpaid, to prosecute any such action or proceedings to judgment or final decree, to enforce any such judgment or final decree against Grantor and to collect, in any manner provided by law, all moneys adjudged or decreed to be payable.

SECTION 2.03. Rights To Take Possession, Operate and Apply Revenues. (a) If an Event of Default shall occur and be continuing, Grantor shall, upon demand of Beneficiary, forthwith surrender to Beneficiary actual possession of the Trust Property and, if and to the extent permitted by law, Beneficiary itself, or by such officers or agents as it may appoint, may then enter and take possession of all the Trust Property without the appointment of a receiver or an application therefor, exclude Grantor and its agents and employees wholly therefrom, and have access to the books, papers and accounts of Grantor.

(b) If Grantor shall for any reason fail to surrender or deliver the Trust Property or any part thereof after such demand by Beneficiary, Beneficiary may obtain a judgment or decree conferring upon Beneficiary the right to immediate possession or requiring Grantor to deliver immediate possession of the Trust Property to Beneficiary, to the entry of which judgment or decree Grantor hereby specifically consents. Grantor will pay to Beneficiary, upon demand, all reasonable expenses of obtaining such judgment or decree, including reasonable compensation to Beneficiary's attorneys and agents with interest thereon at the Default Interest Rate; and all such expenses and compensation shall, until paid, be secured by this Deed of Trust.

(c) Upon every such entry or taking of possession, Beneficiary may hold, store, use, operate, manage and control the Trust Property, conduct the business thereof and, from time to time, (i) make all necessary and proper maintenance, repairs, renewals, replacements, additions, betterments and improvements thereto and thereon, (ii) purchase or otherwise acquire additional fixtures, personalty and other property, (iii) insure or keep the Trust Property insured, (iv) manage and operate the Trust Property and exercise all the rights and powers of Grantor to the same extent as Grantor could in its own name or otherwise with respect to the same, or (v) enter into any and all agreements with respect to the exercise by others of any of the powers herein granted Beneficiary, all as may from time to time be directed or determined by Beneficiary to be in its best interest and Grantor hereby appoints Beneficiary as its true and lawful attorney-in-fact and agent, for Grantor and in its name, place and stead, in any and all capacities, to perform any of the foregoing acts. Beneficiary may collect and receive all the Rents, issues, profits and revenues from the Trust Property, including those past due as well as those accruing thereafter, and, after deducting (i) all expenses of taking, holding, managing and operating the Trust Property (including compensation for the services of all persons employed for such purposes), (ii) the costs of all such maintenance, repairs, renewals, replacements, additions, betterments, improvements, purchases and acquisitions, (iii) the costs of insurance, (iv) such taxes, assessments and other similar charges as Beneficiary may at its option pay, (v) other proper charges upon the Trust Property or any part thereof and (vi) the compensation, expenses and disbursements of the attorneys and agents of Beneficiary, Beneficiary shall apply the remainder of the moneys and proceeds so received first to the payment of the Beneficiary for the satisfaction of the Obligations, and second, if there is any surplus, to Grantor, subject to the entitlement of others thereto under applicable law.

(d) Whenever, before any sale of the Trust Property under Section 2.06, all Obligations that are then due shall have been paid and all Events of Default fully cured, Beneficiary will surrender possession of the Trust Property back to Grantor, its successors or assigns. The same right of taking possession shall, however, arise again if any subsequent Event of Default shall occur and be

continuing.

SECTION 2.04. Right To Cure Grantor's Failure to Perform. If an Event of Default has occurred and is continuing, should Grantor fail in the payment, performance or observance of any term, covenant or condition required by this Deed of Trust or the Credit Agreement (with respect to the Trust Property), Beneficiary may pay, perform or observe the same, and all payments made or costs or expenses incurred by Beneficiary in connection therewith shall be secured hereby and shall be, without demand, immediately repaid by Grantor to Beneficiary with interest thereon at the Default Interest Rate. Beneficiary shall be the judge using reasonable discretion of the necessity for any such actions and of the amounts to be paid. Beneficiary is hereby empowered to enter and to authorize others to enter upon the Premises or the Improvements or any part thereof for the purpose of performing or observing any such defaulted term, covenant or condition without having any obligation to so perform or observe and without thereby becoming liable to Grantor, to any person in possession holding under Grantor or to any other person.

SECTION 2.05. Right to a Receiver. If an Event of Default shall occur and be continuing, Beneficiary, upon application to a court of competent jurisdiction, shall be

entitled as a matter of right to the appointment of a receiver to take possession of and to operate the Trust Property and to collect and apply the Rents. The receiver shall have all of the rights and powers permitted under the laws of the state wherein the Trust Property is located. Grantor shall pay to Beneficiary upon demand all reasonable expenses, including receiver's fees, reasonable attorney's fees and disbursements, costs and agent's compensation incurred pursuant to the provisions of this Section 2.05; and all such expenses shall be secured by this Deed of Trust and shall be, without demand, immediately repaid by Grantor to Beneficiary with interest thereon at the Default Interest Rate.

SECTION 2.06. Foreclosure and Sale. (a) If an Event of Default shall occur and be continuing, Beneficiary may elect to sell or to cause and direct the Trustee to sell the Trust Property or any part of the Trust Property by exercise of the power of foreclosure or of sale granted to Trustee and/or Beneficiary by applicable law or this Deed of Trust. In such case, Trustee or Beneficiary may commence a civil action to foreclose this Deed of Trust, or Trustee may proceed and sell the Trust Property to satisfy any Obligation. Trustee or Beneficiary or an officer appointed by a judgment of foreclosure to sell the Trust Property, may sell all or such parts of the Trust Property as may be chosen by Trustee or Beneficiary at the time and place of sale fixed by it in a notice of sale, either as a whole or in separate lots, parcels or items as

Trustee or Beneficiary shall deem expedient, and in such order as it may determine, at public auction to the highest bidder. Trustee or Beneficiary or an officer appointed by a judgment of foreclosure to sell the Trust Property may postpone any fore closure or other sale of all or any portion of the Trust Property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement or subsequently noticed sale. Without further notice, Trustee or Beneficiary or an officer appointed to sell the Trust Property may make such sale at the time fixed by the last postponement, or may, in its discretion, give a new notice of sale. Any person, including Grantor or Beneficiary or any designee or affiliate thereof, may purchase at such sale.

(b) The Trust Property may be sold subject to unpaid taxes and Permitted Encumbrances, and, after deducting all costs, fees and expenses of Trustee and Beneficiary (including costs of evidence of title in connection with the sale), Trustee or Beneficiary or an officer that makes any sale shall apply the proceeds of sale in the manner set forth in Section 2.08.

(c) Any foreclosure or other sale of less than the whole of the Trust Property or any defective or irregular sale made hereunder shall not exhaust the power of foreclosure provided for herein; and subsequent sales may be made hereunder until the Obligations have been satisfied, or the entirety of the Trust Property has been sold.

(d) If an Event of Default shall occur and be continuing, Trustee or Beneficiary may instead of, or in addition to, exercising the rights described in Section 2.06(a) above and either with or without entry or taking possession as herein permitted, proceed by a suit or suits in law or in equity or by any other appropriate proceeding or remedy (i) to specifically enforce payment of some or all of the Obligations, or the performance of any term, covenant, condition or agreement of this Deed of Trust or any other Loan Document or any other right,

or (ii) to pursue any other remedy available to Trustee or Beneficiary, all as Trustee or Beneficiary shall determine most effectual for such purposes.

SECTION 2.07. Other Remedies. (a) In case an Event of Default shall occur and be continuing, Beneficiary may also exercise, to the extent not prohibited by law, any or all of the remedies available to a secured party under the UCC.

(b) In connection with a sale of the Trust Property or any Personal Property and the application of the proceeds of sale as provided in Section 2.08, Beneficiary shall be entitled to enforce payment of and to receive up to the principal amount of the Obligations, plus all other charges, payments and

costs due under this Deed of Trust, and to recover a deficiency judgment for any portion of the aggregate principal amount of the Obligations remaining unpaid, with interest.

SECTION 2.08. Application of Sale Proceeds and Rents. After any foreclosure sale of all or any of the Trust Property, Trustee or Beneficiary shall receive the proceeds of sale, no purchaser shall be required to see to the application of the proceeds and Trustee or Beneficiary shall apply the proceeds of the sale together with any Rents that may have been collected and any other sums that then may be held by Trustee or Beneficiary under this Deed of Trust as follows:

FIRST, to the payment of the costs and expenses of such sale, including compensation to Trustee or Beneficiary's attorneys and agents, and of any judicial proceedings wherein the same may be made, and of all expenses, liabilities and advances made or incurred by Beneficiary under this Deed of Trust, together with interest at the Default Interest Rate on all advances made by Beneficiary, including all taxes or assessments (except any taxes, assessments or other charges subject to which the Trust Property shall have been sold) and the cost of removing any Permitted Encumbrance (except any Permitted Encumbrance subject to which the Trust Property was sold);

SECOND, to the Beneficiary for the distribution to the Secured Parties for the satisfaction of the Obligations owed to the Secured Parties; and

THIRD, to the Grantor, its successors or assigns, or as a court of competent jurisdiction may otherwise direct.

The Beneficiary shall have absolute discretion as to the time of application of any such proceeds, moneys or balances in accordance with this Deed of Trust. Upon any sale of the Trust Property by the Trustee or Beneficiary (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the Trustee or Beneficiary or of the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Trust Property so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Trustee or Beneficiary or such officer or be answerable in any way for the misapplication thereof.

SECTION 2.09. Grantor as Tenant Holding Over. If Grantor remains in possession of any of the Trust Property after any foreclosure sale by Trustee or

Beneficiary, at Beneficiary's election Grantor shall be deemed a tenant holding over and shall forthwith surrender possession to the purchaser or purchasers at such sale or be summarily dispossessed or evicted according to provisions of law applicable to tenants holding over.

SECTION 2.10. Waiver of Appraisement, Valuation, Stay, Extension and Redemption Laws. Grantor waives, to the extent not prohibited by law, (i) the benefit of all laws now existing or that hereafter may be enacted providing for any appraisement of any portion of the Trust Property, (ii) the benefit of all laws now existing or that may be hereafter enacted in any way extending the time for the enforcement or the collection of amounts due under any of the Obligations or creating or extending a period of redemption from any sale made in collecting said debt or any other amounts due Beneficiary, (iii) any right to at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisement, homestead exemption valuation, stay, statute of limitations extension or redemption, or sale of the Trust Property as separate tracts, units or estates or as a single parcel in the event of foreclosure or notice of deficiency, and (iv) all rights of redemption, valuation, appraisement, stay of execution, notice of election to mature or declare due the whole of or each of the Obligations and marshaling in the event of foreclosure of this Deed of Trust.

SECTION 2.11. Discontinuance of Proceedings. In case Trustee or Beneficiary shall proceed to enforce any right, power or remedy under this Deed of Trust by foreclosure, entry or otherwise, and such proceedings shall be discontinued or abandoned for any reason, or shall be determined adversely to Trustee or Beneficiary, then and in every such case Grantor, Trustee and Beneficiary shall be restored to their former positions and rights hereunder, and all rights, powers and remedies of Trustee or Beneficiary shall continue as if no such proceeding had been taken.

SECTION 2.12. Suits To Protect the Trust Property. Trustee and/or Beneficiary shall have power (a) to institute and maintain suits and proceedings to prevent any impairment of the Trust Property by any acts that may be unlawful or in violation of this Deed of Trust, (b) to preserve or protect its interest in the Trust Property and in the Rents arising therefrom and (c) to restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of or compliance with such enactment, rule or order would impair the security or be prejudicial to the interest of Trustee or Beneficiary hereunder.

SECTION 2.13. Filing Proofs of Claim. In case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other proceedings affecting Grantor, Beneficiary shall, to the extent permitted by law, be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of Beneficiary allowed in such proceedings for the Obligations secured by this Deed of Trust at the date of the institution of such proceedings and for any interest accrued, late charges and additional interest or other amounts due or that may become due and payable hereunder after such date.

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SECTION 2.14. Possession by Beneficiary. Notwithstanding the appointment of any receiver, liquidator or trustee of Grantor, any of its property or the Trust Property, Beneficiary shall be entitled, to the extent not prohibited by law, to remain in possession and control of all parts of the Trust Property now or hereafter granted under this Deed of Trust to Beneficiary in accordance with the terms hereof and applicable law.

SECTION 2.15. Waiver. (a) No delay or failure by Trustee or Beneficiary to exercise any right, power or remedy accruing upon any breach or Event of Default shall exhaust or impair any such right, power or remedy or be construed to be a waiver of any such breach or Event of Default or acquiescence therein; and every right, power and remedy given by this Deed of Trust to Trustee or Beneficiary may be exercised from time to time and as often as may be deemed expedient by Trustee or Beneficiary. No consent or waiver by Beneficiary to or of any breach or default by Grantor in the performance of the Obligations shall be deemed or construed to be a consent or waiver to or of any other breach or Event of Default in the performance of the same or any other Obligations by Grantor hereunder. No failure on the part of Beneficiary to complain of any act or failure to act or to declare an Event of Default, irrespective of how long such failure continues, shall constitute a waiver by Beneficiary of its rights hereunder or impair any rights, powers or remedies consequent on any future Event of Default by Grantor.

(b) Even if Beneficiary (i) grants some forbearance or an extension of time for the payment of any sums secured hereby, (ii) takes other or additional security for the payment of any sums secured hereby, (iii) waives or does not exercise some right granted herein or under the Loan Documents, (iv) releases a part of the Trust Property from this Deed of Trust, (v) agrees to change some of the terms, covenants, conditions or agreements of any of the Loan Documents, (vi) consents to the filing of a map, plat or replat affecting the Premises (vii) consents to the granting of an easement or other right affecting the Premises or (viii) makes or consents to an agreement subordinating Beneficiary's lien on the Trust Property hereunder; no such act or omission shall preclude Beneficiary from exercising any other right, power or privilege herein granted or intended to be granted in the event of any breach or Event of Default then made or of any subsequent default; nor, except as otherwise expressly provided in an instrument executed by Trustee and Beneficiary, shall this Deed of Trust be altered thereby. In the event of the sale or transfer by operation of law or otherwise of all or part of the Trust Property, Beneficiary is hereby authorized and empowered to deal with any vendee or transferee with reference to the Trust Property secured hereby, or with reference to any of the terms, covenants,

conditions or agreements hereof, as fully and to the same extent as it might deal with the original parties hereto and without in any way releasing or discharging any liabilities, obligations or undertakings.

SECTION 2.16. Remedies Cumulative. No right, power or remedy conferred upon or reserved to Trustee or Beneficiary by this Deed of Trust is intended to be exclusive of any other right, power or remedy, and each and every such right, power and remedy shall be cumulative and concurrent and in addition to any other right, power and remedy given hereunder or now or hereafter existing at law or in equity or by statute.

ARTICLE III

Miscellaneous

SECTION 3.01. Partial Invalidity. In the event any one or more of the provisions contained in this Deed of Trust shall for any reason be held to be invalid, illegal or unenforceable in any respect, such validity, illegality or unenforceability shall, at the option of Beneficiary, not affect any other provision of this Deed of Trust, and this Deed of Trust shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein or therein.

SECTION 3.02. Notices. All communications and notices hereunder shall be in writing and given to Trustee in accordance with the terms of the Credit Agreement at the address set forth on the first page of this Deed of Trust and to Grantor or the Collateral Agent, as provided in the Credit Agreement.

SECTION 3.03. Successors and Assigns. All of the grants, covenants, terms, provisions and conditions herein shall run with the Premises and the Improvements and shall apply to, bind and inure to, the benefit of the permitted successors and assigns of Grantor and the successors and assigns of Beneficiary.

SECTION 3.04. Satisfaction and Cancelation. (a) The conveyance to Trustee of the Trust Property for the benefit of Beneficiary (for the ratable benefit of the Secured Parties) created and consummated by this Deed of Trust shall be null and void when all the Obligations have been indefeasibly paid in full in accordance with the terms of the Loan Documents and the Lenders have no further commitment to make Loans under the Credit Agreement, no Letters of Credit are outstanding and the Issuing Bank has no further obligation to issue Letters of Credit under the Credit Agreement.

(b) The lien of this mortgage shall be released from such portion of the Trust Property as is required pursuant to and in accordance with the operative

provisions of Section 6.05 of the Credit Agreement.

(c) In connection with any termination or release pursuant to paragraph (a), the Deed of Trust shall be marked "satisfied" by the Beneficiary and/or Trustee, and this Deed of Trust shall be canceled of record at the request and at the expense of the Grantor. Beneficiary and Trustee shall execute any documents reasonably requested by Grantor to accomplish the foregoing or to accomplish any release contemplated by paragraph (a) and Grantor will pay all costs and expenses, including reasonable attorneys' fees, disbursements and other charges, incurred by Beneficiary and Trustee in connection with the preparation and execution of such documents.

SECTION 3.05. Definitions. As used in this Deed of Trust, the singular shall include the plural as the context requires and the following words and phrases shall have the following meanings: (a) "including" shall mean "including but not limited to"; (b) "provisions" shall mean "provisions, terms, covenants and/or conditions"; (c) "lien" shall mean "lien, charge, encumbrance, security interest, mortgage or deed of trust";

(d) "obligation" shall mean "obligation, duty, covenant and/or condition"; and (e) "any of the Trust Property" shall mean "the Trust Property or any part thereof or interest therein". Any act that Trustee or Beneficiary is permitted to perform hereunder may be performed at any time and from time to time by Trustee Beneficiary or any person or entity designated by Trustee or Beneficiary. Any act that is prohibited to Grantor hereunder is also prohibited to all lessees of any of the Trust Property. Each appointment of Trustee or Beneficiary as attorney-in-fact for Grantor under the Deed of Trust is irrevocable, with power of substitution and coupled with an interest. Subject to the applicable provisions hereof, Beneficiary has the right to refuse to grant its consent, approval or acceptance or to indicate its satisfaction, in its sole discretion, whenever such consent, approval, acceptance or satisfaction is required hereunder.

SECTION 3.06. Multisite Real Estate Transaction. Grantor acknowledges that this Deed of Trust is one of a number of Security Documents that secure the Obligations. Grantor agrees that the lien of this Deed of Trust shall be absolute and unconditional and shall not in any manner be affected or impaired by any acts or omissions whatsoever of Trustee or Beneficiary and without limiting the generality of the foregoing, the lien hereof shall not be impaired by any acceptance by the Trustee or Beneficiary of any security for or guarantees of any of the Obligations hereby secured, or by any failure, neglect or omission on the part of Trustee or Beneficiary to realize upon or protect any Obligation or indebtedness hereby secured or any collateral security therefor including other Security Documents, except as otherwise provided by the laws of the State of California. The lien hereof shall not in any manner be impaired or

affected by any release (except as to the property released), sale, pledge, surrender, compromise, settlement, renewal, extension, indulgence, alteration, changing, modification or disposition of any of the Obligations secured or of any of the collateral security therefor, including other Security Documents or of any guarantee thereof, and Trustee or Beneficiary may at its discretion foreclose, exercise any power of sale, or exercise any other remedy available to it under any or all of the other Security Documents without first exercising or enforcing any of its rights and remedies hereunder. Such exercise of Trustee's or Beneficiary's rights and remedies under any or all of the other Security Documents shall not in any manner impair the indebtedness hereby secured or the lien of this Deed of Trust and any exercise of the rights or remedies of Trustee or Beneficiary hereunder shall not impair the lien of any other Security Documents or any of Trustee's or Beneficiary's rights and remedies thereunder. The Grantor specifically consents and agrees that Beneficiary may exercise its rights and remedies hereunder and under the other Security Documents separately or concurrently and in any order that it may deem appropriate and waives any rights of subrogation.

ARTICLE IV

Particular Provisions

This Deed of Trust is subject to the following provisions relating to the particular laws of the state wherein the Premises are located:

SECTION 4.01. Applicable Law; Certain Particular Provisions. This Deed of Trust shall be governed by and construed in accordance with the internal law of the State of New York; provided, however, that the provisions of this Deed of Trust relating to the creation, perfection and enforcement of the lien and security interest created by this Deed of Trust in respect of the Trust Property and the exercise of each remedy provided hereby, including the power of foreclosure or power of sale procedures set forth in this Deed of Trust, shall be governed by and construed in accordance with the internal law of the state where the Trust Property is located, and Grantor and Beneficiary agrees to submit to jurisdiction and the laying of venue for any suit on this Deed of Trust in such state. The terms and provisions set forth in Appendix A attached hereto are hereby incorporated by reference as though fully set forth herein. In the event of any conflict between the terms and provisions contained in the body of this Deed of Trust and the terms and provisions set forth in Appendix A, the terms and provisions set forth in Appendix A shall govern and control.

SECTION 4.02. Trustee's Powers and Liabilities. (a) Trustee, by acceptance hereof, covenants faithfully to perform and fulfill the trusts herein created, being liable, however, only for gross negligence, bad faith or wilful

misconduct, and hereby waives any statutory fee and agrees to accept reasonable compensation, in lieu thereof, for any services rendered by it in accordance with the terms hereof. All authorities, powers and discretions given in this Deed of Trust to Trustee and/or Beneficiary may be exercised by either, without the other, with the same effect as if exercised jointly.

(b) Trustee may resign at any time upon giving 30 days' notice in writing to Grantor and to Beneficiary.

(c) Beneficiary may remove Trustee at any time or from time to time and select a successor trustee. In the event of the death, removal, resignation, refusal to act, inability to act or absence of Trustee from the state in which the premises are located, or in its sole discretion for any reason whatsoever, Beneficiary may, upon notice to the Grantor and without specifying the reason therefor and without applying to any court, select and appoint a successor trustee, and all powers, rights, duties and authority of the former Trustee, as aforesaid, shall thereupon become vested in such successor. Such substitute trustee shall not be required to give bond for the faithful performance of his duties unless required by Beneficiary. Such substitute trustee shall be appointed by written instrument duly recorded in the county where the Land is located. Grantor hereby ratifies and confirms any and all acts that the herein named Trustee, or his successor or successors in this trust, shall do lawfully by virtue hereof. Grantor hereby agrees, on behalf of itself and its heirs, executors, administrators and assigns, that the recitals contained in any deed or deeds executed in due form by any Trustee or substitute trustee, acting under the provisions of this instrument, shall be prima facie evidence of the facts recited, and that it shall not be necessary to prove in any

court, otherwise than by such recitals, the existence of the facts essential to authorize the execution and delivery of such deed or deeds and the passing of title thereby.

(d) Trustee shall not be required to see that this Deed of Trust is recorded, nor liable for its validity or its priority as a first deed of trust, or otherwise, nor shall Trustee be answerable or responsible for performance or observance of the covenants and agreements imposed upon Grantor or Beneficiary by this Deed of Trust or any other agreement. Trustee, as well as Beneficiary, shall have authority in their respective discretion to employ agents and attorneys in the execution of this trust and to protect the interest of the Beneficiary hereunder, and to the extent permitted by law they shall be compensated and all expenses relating to the employment of such agents and/or attorneys, including expenses of litigations, shall be paid out of the proceeds of the sale of the Trust Property conveyed hereby should a sale be had, but if

no such sale be had, all sums so paid out shall be recoverable to the extent permitted by law by all remedies at law or in equity.

(e) At any time, or from time to time, without liability therefor and with 10 days' prior written notice to Grantor, upon written request of Beneficiary and without affecting the effect of this Deed of Trust upon the remainder of the Trust Property, Trustee may (i) reconvey any part of the Trust Property, (ii) consent in writing to the making of any map or plat thereof, so long as Grantor has consented thereto, (iii) join in granting any easement thereon, so long as Grantor has consented thereto, or (iv) join in any extension agreement or any agreement subordinating the lien or charge hereof.

ARTICLE V

Subject Lease

SECTION 5.01. The Subject Lease. (a) The Subject Lease is a valid and subsisting lease of that portion of the Premises demised thereunder for the term therein set forth, is in full force and effect in accordance with the terms thereof, and has not been modified except as expressly set forth herein. Grantor has delivered to Beneficiary a true, correct and complete copy of the Subject Lease. No material default exists, and to the Grantor's actual knowledge, no event or act has occurred and no condition exists which with the passage of time or the giving of notice or both would constitute a default, under the Subject Lease.

(b) Without the prior written consent of Beneficiary, Grantor will not modify, amend, or in any way alter the terms of the Subject Lease if such modification, amendment or alteration would increase the monetary obligations, except to a de minimis extent, of the Grantor under the Subject Lease or otherwise be adverse in any respect to the interests of Beneficiary or the value of the Trust Property. Except to the extent permitted under the Credit Agreement, without the prior written consent of Beneficiary, Grantor will not (i) in any way cancel, release, terminate, surrender or reduce the term of the Subject Lease, (ii) waive, excuse, condone or in any way release or discharge landlord of or from the obligations, covenants, conditions and agreements by said landlord to be done and performed and (iv) consent to the subordination of the Subject Lease to any mortgage except if Grantor and Beneficiary receive a nondisturbance agreement reasonably acceptable to Beneficiary.

Any attempt on the part of Grantor to do any of the foregoing without such written consent of Beneficiary shall be null and void and of no effect and shall

constitute a Default hereunder.

(c) Grantor shall at all times promptly and faithfully keep and perform in all material respects, or cause to be kept and performed in all material respects, all the covenants and conditions contained in the Subject Lease by the lessee therein to be kept and performed and shall in all material respects conform to and comply with the terms and conditions of the Subject Lease and Grantor further covenants that it will not knowingly do or permit anything to be done, the doing of which, or refrain from doing anything, the omission of which, will impair the security of this Deed of Trust or will be reason for declaring a default under the Subject Lease.

(d) Grantor shall give Trustee and Beneficiary prompt notice in writing of any default on the part of the landlord under the Subject Lease or of the receipt by Grantor of any notice of default from the landlord thereunder by providing to Trustee and Beneficiary a copy of any such notice received by Grantor from such landlord and this shall be done without regard to the fact that Trustee or Beneficiary may be entitled to such notice directly from the landlord. Grantor shall promptly notify Trustee and Beneficiary of any default under the Subject Lease by landlord or giving of any notice by the landlord to Grantor of such landlord's intention to end the term thereof. Grantor shall furnish to Trustee or Beneficiary promptly upon Trustee's or Beneficiary's request any and all information concerning the performance by Grantor of the covenants of the Subject Lease and shall permit Trustee or Beneficiary or its representative at all reasonable times, upon reasonable notice, to make investigation or examination concerning the performance by Grantor of the covenants of the Subject Lease. Grantor shall deposit with Trustee and Beneficiary an exact copy of any notice, communication, plan, specification or other instrument or document received or given by Grantor in any way relating to or affecting the Subject Lease which may concern or affect the estate of the landlord or the lessee in or under the Subject Lease or the property leased thereby.

(e) If an Event of Default has occurred and is continuing, Trustee or Beneficiary may (but shall not be obligated to) take any such action Trustee or Beneficiary deems necessary or desirable to cure, in whole or in part, any failure of compliance by Grantor under the Subject Lease; and upon the receipt by Trustee or Beneficiary from Grantor or the landlord under the Subject Lease of any written notice of default by Grantor as the lessee thereunder, Grantor may rely thereon, and such notice shall constitute full authority and protection to Trustee or Beneficiary for any action taken or omitted to be taken in good faith reliance thereon. All sums, including reasonable attorneys' fees, so expended by the Trustee or Beneficiary to cure or prevent any such default, or expended to sustain the lien of this Deed of Trust or its priority, shall be deemed secured by this Deed of Trust and shall be paid by the Grantor on demand, with interest accruing thereon at the Default Interest Rate. Grantor hereby expressly grants to Trustee for the benefit of Beneficiary (subject to the terms of the Subject Lease), and agrees that Trustee, for the benefit of Beneficiary shall have, the absolute and immediate right to enter in and upon the Land and the Improvements or any part thereof to such extent and as often as Trustee or Beneficiary, in its discretion, deems necessary or desirable in order to cure

any such default or alleged default by Grantor.

(f) Except as required by Section 5.01(g), Grantor shall not make any election or exercise any option or right or give any consent or approval for which a right to do so is expressly conferred upon Grantor as lessee under the Subject Lease without Beneficiary's prior written consent unless such election, exercise consent or approval would be adverse in any material respect to the interests of Beneficiary. Upon the occurrence and continuance of any Event of Default hereunder, all such rights, together with the right of termination, cancelation, modification, change, supplement, alteration or amendment of the Subject Lease, all of which have been assigned for collateral purposes to Beneficiary, shall automatically vest exclusively in and be exercisable solely by Beneficiary.

(g) Grantor shall (i) exercise any option to renew or extend the term of the Subject Lease in such manner as will cause the term of the Subject Lease effectively to be renewed or extended for the period provided by such option and (ii) give immediate written notice thereof to Beneficiary; provided that in the event of failure of Grantor so to do, Beneficiary shall have, and is hereby granted, the irrevocable right to exercise any such option, whether in its own name and behalf or in the name and behalf of its designee or nominee or in the name and behalf of Grantor or in any other manner authorized under the Subject Lease as Beneficiary shall in its sole discretion determine.

(h) Grantor will give Beneficiary prompt written notice of the commencement of any arbitration or appraisal proceeding under and pursuant to the provisions of the Subject Lease. Following the occurrence and during the continuance of an Event of Default, Beneficiary shall have the right, but not the obligation, to participate in any such proceeding and Grantor shall confer with Beneficiary to the extent which Beneficiary deems necessary for the protection of Beneficiary. Grantor may compromise any dispute or approval which is the subject of an arbitration or appraisal proceeding with the prior written consent of Beneficiary which approval will not be unreasonably withheld or delayed.

(i) So long as this Deed of Trust is in effect, there shall be no merger of the Subject Lease or any interest therein, or of the leasehold estate created thereby, with the fee estate in the Land or any portion thereof by reason of the fact that the Subject Lease or such interest therein may be held directly or indirectly by or for the account of any person who shall hold the landlord's leasehold estate or fee estate in the Land or any portion thereof or any interest of the landlord under the Subject Lease. In case the Grantor acquires fee title to the Land, this Deed of Trust shall attach to and cover and be a lien upon the fee title or such other estate so acquired, and such fee title or other estate shall, without further assignment, mortgage or conveyance, become

and be subject to the lien of and covered by this Deed of Trust. Grantor shall notify Beneficiary of any such acquisition and, on written request by Beneficiary, shall cause to be executed and recorded all such other and further assurances or other instruments in writing as may in the reasonable opinion of Beneficiary be necessary or appropriate to effect the intent and meaning hereof and shall deliver to Beneficiary an endorsement to Beneficiary's loan title insurance policy insuring that such fee title or other estate is subject to the lien of this Deed of Trust.

(j) In the event that the Subject Lease is terminated and Grantor obtains a new lease directly from the owner of the Trust Property, this Deed of Trust shall attach to and cover and be a lien upon the leasehold estate so acquired and such leasehold estate shall become and be

subject to the lien of and covered by this Deed of Trust. Grantor shall notify Beneficiary of any such lease and, on written request by Beneficiary, shall cause to be executed and recorded all such other and further assurances or other instruments in writing as may in the reasonable opinion of Beneficiary be necessary or appropriate, to effect the intent and meaning hereof and shall deliver to Beneficiary an endorsement to Beneficiary's loan title insurance policy insuring that such leasehold estate is subject to the lien of this Deed of Trust.

(k) In the event that the Grantor as lessee under the Subject Lease exercises any option or right to purchase any parcel of land which option or right is granted under said Subject Lease, then upon the vesting of the title of such parcel in the Grantor, this Deed of Trust shall attach to and cover and be a lien upon the fee title or such other estate so acquired, and such fee title or other estate shall, without further assignment, mortgage or conveyance, become and be subject to the lien of and covered by this Deed of Trust.

(l) If any action or proceeding shall be instituted to evict Grantor or to recover possession of any leasehold parcel or any part thereof or interest therein or any action or proceeding otherwise affecting the Subject Lease or this Deed of Trust shall be instituted, then Grantor will, immediately upon service thereof on or to Grantor, deliver to Beneficiary a notice of motion, order to show cause and of all other provisions, pleadings, and papers, however designated, served in any such action or proceeding.

(m) The lien of this Deed of Trust shall attach to all of Grantor's rights and remedies at any time arising under or pursuant to Subsection 365(h) of the Bankruptcy Code, 11 U.S.C. 365(h), as the same may hereafter be amended

(the "Bankruptcy Code"), including, without limitation, all of Grantor's rights to remain in possession of each leasehold parcel.

(n) Grantor hereby unconditionally assigns, transfers and sets over to Trustee for the benefit of Beneficiary all of Grantor's claims and rights to the payment of damages arising from any rejection of the Subject Lease by the lessor or any other fee owner of any leasehold parcel or any portion thereof under the Bankruptcy Code. Notwithstanding the foregoing, provided that no Event of Default shall have occurred and be continuing, Grantor shall have the right to collect such damages. Beneficiary shall have the right to proceed in its own name or in the name of Grantor in respect of any claim, suit, action or proceeding relating to the rejection of the Subject Lease, including, without limitation, the right to file and prosecute, without joining or the joinder of Grantor, any proofs of claim, complaints, motions, applications, notices and other documents, in any case with respect to the lessor or any fee owner of all or a portion of any leasehold parcel under the Bankruptcy Code. This assignment constitutes a present, irrevocable and unconditional assignment of the foregoing claims, rights and remedies, and shall continue in effect until all of the Obligations shall have been satisfied and discharged in full. Any amounts received by Beneficiary as damages arising out of the rejection of the Subject Lease as aforesaid shall be applied first to all costs and expenses of Trustee or Beneficiary (including, without limitation, reasonable attorneys' fees) incurred in connection with the exercise of any of its rights or remedies under this paragraph. Grantor shall promptly make, execute, acknowledge and deliver, in form and substance satisfactory to Beneficiary, a UCC financing statement (Form UCC-1) and all such additional instruments, agreements and other documents, as may at any time hereafter be

reasonably required by Beneficiary to effectuate and carry out the assignment pursuant to this paragraph.

(o) If pursuant to Subsection 365(h)(2) of the Bankruptcy Code, 11 U.S.C. Section 365(h)(2), Grantor shall seek to offset against the rent reserved in the Subject Lease the amount of any damages caused by the nonperformance by the lessor or any fee owner of any of their respective obligations under such Subject Lease after the rejection by the lessor or any fee owner of such Subject Lease under the Bankruptcy Code, then Grantor shall, prior to effecting such offset, notify Beneficiary of its intent to do so, setting forth the amount proposed to be so offset and the basis therefor. Beneficiary shall have the right to object to all or any part of such offset that, in the reasonable judgment of Beneficiary, would constitute a breach of such Subject Lease, and in the event of such objection, Grantor shall not effect any offset of the amounts so objected to by Beneficiary. Neither Beneficiary's failure to object as aforesaid nor any objection relating to such offset shall constitute an approval of any such offset by Beneficiary.

(p) If an Event of Default shall occur and be continuing, if any action, proceeding, motion or notice shall be commenced or filed in respect of the lessor or any fee owner of any leasehold parcel, or any portion thereof or interest therein, or the Subject Lease in connection with any case under the Bankruptcy Code, then Beneficiary shall have the option, exercisable upon written notice from Beneficiary to Grantor, to conduct and control any such litigation with counsel of Beneficiary's choice. Beneficiary may proceed in its own name or in the name of Grantor in connection with any such litigation, and Grantor agrees to execute any and all powers, authorizations, consents or other documents required by Beneficiary in connection therewith. Grantor shall, upon demand, pay to Beneficiary all reasonable costs and expenses (including attorneys' fees) paid or incurred by Beneficiary in connection with the prosecution or conduct of any such proceedings. Grantor shall not commence any action, suit, proceeding or case, or file any application or make any motion, in respect of the Subject Lease in any such case under Bankruptcy Code without the prior written consent of Beneficiary which consent shall not be unreasonably withheld or delayed.

(q) Grantor shall, after obtaining actual knowledge thereof, promptly notify Beneficiary of any filing by or against the lessor or fee owner of any leasehold parcel of a petition under the Bankruptcy Code. Grantor shall promptly deliver to Trustee and Beneficiary, following receipt, copies of any and all notices, summonses, pleadings, applications and other documents received by Grantor in connection with any such petition and any proceedings relating thereto.

(r) If there shall be filed by or against Grantor a petition under the Bankruptcy Code and Grantor, as lessee under a Subject Lease, shall determine to reject such Subject Lease pursuant to Section 365(a) of the Bankruptcy Code, then Grantor shall give Beneficiary not less than twenty days' prior notice of the date on which Grantor shall apply to the Bankruptcy Court for authority to reject such Subject Lease. Beneficiary shall have the right, but not the obligation, to serve upon Grantor within such twenty day period a notice stating that Beneficiary demands that Grantor assume and assign such Subject Lease to Beneficiary pursuant to Section 365 of the Bankruptcy Code. If Beneficiary shall serve upon Grantor the

notice described in the preceding sentence, Grantor shall not seek to reject such Subject Lease and shall comply with the demand provided for in the preceding sentence.

(s) Effective upon the entry of an order for relief with respect to Grantor under the Bankruptcy Code, Grantor hereby assigns and transfers to

Beneficiary a non-exclusive right to apply to the Bankruptcy Court under subsection 365(d)(4) of the Bankruptcy Code for an order extending the period during which the Subject Lease may be rejected or assumed.

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IN WITNESS WHEREOF, this Deed of Trust has been duly authorized and has been executed and delivered to Trustee and Beneficiary by Grantor on the date first written above.

D.J. ORTHOPEDICS, LLC,

by /s/ Cyril Talbot III

Name: Cyril Talbot III
Title: V.P., CFO and Secretary

Attest:

by /s/ Nicole L. Fenton

Name: Nicole L. Fenton
Witness

[CORPORATE SEAL]

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STATE OF CALIFORNIA

COUNTY OF SAN DIEGO

On this 25th day of June 1999, before me, the undersigned officer, personally appeared Cyril Talbot III, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that his/her signature on the instrument the

person, or entity upon behalf of which the person acted, executed the instrument.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

/s/ Agnes A. Cortez

Notary Public

[SEAL]

Exhibit A
to the Deed of Trust

Legal Description

Schedule A
to the Deed of Trust

Leases of Trust Property

Appendix A

Deed of Trust, Security Agreement and
Assignment of Leases and Rents

1. The following provision is hereby added to the end of Section 1.11 of this Deed of Trust:

"This Deed of Trust shall also constitute a financing statement, filed as a

fixture filing in the real estate records of the County of the State in which the Premises is located, with respect to any and all fixtures included within the terms "Improvements" under this Deed of Trust and to any goods or other personal property that are now or hereafter become a part of the Trust Property as fixtures."

2. The Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, becomes a public record as provided by law. The Trustee shall not be obligated to perform any act required of it hereunder unless the performance of such act is requested in writing and the Trustee is reasonably indemnified against loss, cost, liability and expense.

3. The Trustee (or Beneficiary) may from time to time apply in any Court of competent jurisdiction for aid and direction in the execution of the trusts and the enforcement of the rights and remedies available hereunder, and the Trustee (or Beneficiary) may obtain orders or decrees directing, confirming or approving acts in the execution of such trusts and the enforcement of such remedies. All costs and expenses of any such proceeding (including reasonable attorneys' fees) shall be borne by Grantor.

4. Upon an Event of Default which is continuing, Beneficiary shall have the right, as more particularly set forth in the Credit Agreement, to declare all or any portion of the Secured Obligations secured hereby immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by Grantor, and exercise any or all of the remedies provided for in Article II hereof.

5. Notwithstanding anything to the contrary contained herein, Beneficiary's rights and remedies under California Code of Civil Procedure Section 736 shall not be waived, limited or otherwise adversely affected by virtue of a full or partial credit bid upon foreclosure of this Deed of Trust.

6. The Credit Agreement, the Loan Documents, the Senior Note Documents or the Tranche A Exchange Note Purchase Agreements (with respect to the Trust Property) may contain provisions imposing a late charge and past due rate of interest if payments are not timely made, and prepayment restrictions and premiums as more particularly described in such documents.

7. GRANTOR PLEASE NOTE: IN THE EVENT OF YOUR DEFAULT, THIS DEED OF TRUST AND APPLICABLE LAW PERMITS THE TRUSTEE TO SELL

THE TRUST PROPERTY AT A SALE HELD WITHOUT SUPERVISION BY ANY COURT AFTER EXPIRATION OF A PERIOD PRESCRIBED BY LAW. SEE SECTION 2.06 FOR A DESCRIPTION OF THIS PROCEDURE. UNLESS YOU PROVIDE AN ADDRESS FOR THE GIVING OF NOTICE, YOU MAY NOT BE ENTITLED TO OTHER NOTICE OF THE COMMENCEMENT OF SALE PROCEEDINGS. BY EXECUTION OF THIS DEED OF TRUST, YOU CONSENT TO THIS PROCEDURE. IF YOU HAVE ANY QUESTIONS CONCERNING IT, YOU SHOULD CONSULT YOUR LEGAL ADVISOR. BENEFICIARY AND

TRUSTEE URGE YOU TO GIVE BENEFICIARY PROMPT NOTICE OF ANY CHANGE IN YOUR ADDRESS SO THAT YOU MAY RECEIVE ANY NOTICE OF DEFAULT AND NOTICE OF SALE GIVEN PURSUANT TO THIS DEED OF TRUST.

8. Grantor requests that a copy of any notice of default and notice of sale hereunder be mailed to Grantor in the manner indicated in Section 3.02 of this Deed of Trust.

9. Suretyship Waivers. Insofar as this Deed of Trust has been executed by Grantor to secure in part performance of the obligations of Borrower as described hereinabove. Grantor acknowledges the possibility that this Deed of Trust could be construed by a court of competent jurisdiction as a form of disguised guaranty of such obligations, notwithstanding the express intent of Grantor and Beneficiary that this Deed of Trust not be so construed as creating a relationship of surety and principal. However, if and to the extent that his Deed of Trust is construed by a court of competent jurisdiction to constitute a form of disguised guaranty, Grantor hereby expressly acknowledges and agrees as follows:

(a) Unconditional Obligation.

The obligations, covenants, agreements and duties of Grantor shall in no way be affected or impaired by reason of the happening from time to time of any of the following events, even if such event takes place without notice to or the further consent of Grantor: (i) the waiver by Beneficiary of the performance or observance by Borrower, Grantor, or any other party of any of the agreements, covenants, terms or conditions contained in any of the Loan Documents; (ii) the extension, in whole or in part, of the time for payment by Borrower or Grantor of any sums owing or payable under any of the Loan Documents; (iii) the modification or amendment, whether material or otherwise, of any of the obligations of Borrower under the Loan Documents, whether the same be in the form of a new agreement or the modification or amendment of an existing Loan Document (any of the foregoing being a "Modification"); provided, however, that unless such modification is required by law or on account of bankruptcy or insolvency, no Modification that has the effect of materially increasing the obligations of Grantor hereunder shall be effective against Grantor to the extent of such material increase unless Grantor shall be a party to, or consent to, such Modification, which consent Grantor agrees shall not be unreasonably withheld or delayed; provided, further, that if any Modification is made without such consent of Grantor, such Modification shall be ineffective as against Grantor only to the extent

that same shall materially increase the obligations of Grantor

under this Deed of Trust, it being expressly agreed that, even if such Modification has the effect of increasing the likelihood of a default by Borrower under the Loan Documents, Grantor shall remain liable to the full extent of this Deed of Trust as if such Modification had not been made; (iv) the doing or the omission of any of the acts referred to in the Loan Documents; (v) any failure, omission or delay on the part of Beneficiary to enforce, assert or exercise any right, power or remedy conferred on or available to Beneficiary in or by any of the Loan Documents or any action on the part of Beneficiary granting indulgence or extension in any form whatsoever; (vi) the voluntary or involuntary liquidation, dissolution, sale of all or substantially all of the assets, marshaling of assets and liabilities, receivership, conservatorship, custodianship, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of, or other similar proceeding affecting Borrower or Grantor or any of its assets; (vii) the inability of Beneficiary or Borrower to enforce any provision of the Loan Documents; (viii) any change in the relationship between Borrower and Grantor or any termination of such relationship; (ix) the inability of Borrower to perform, or the release of Borrow or Grantor from the performance of, any obligation, agreement, covenant, term or condition of Borrower under any of the Loan Documents and this Deed of Trust by reason of any law, regulation or decree, now or hereafter in effect; or (x) any action or inaction by Beneficiary that results in any impairment or destruction of any subrogation rights of Grantor or any rights of Grantor to proceed against Borrower for reimbursement.

(b) Subrogation.

Grantor understands and acknowledges that Beneficiary's exercise of certain rights and remedies in the Loan Documents may affect or eliminate Grantor's right of subrogation against Borrower, and as result, Grantor may succeed to a partially or totally nonreimbursable liability under this Deed of Trust. Grantor hereby authorizes and empowers Beneficiary to exercise, in Beneficiary's own discretion, any rights and remedies or any combination thereof, which may then be available since it is the intent and purpose of Grantor that the obligations under this Deed of Trust shall be absolute, independent and unconditional under any and all circumstances. Until all of Borrower's obligations have been performed under the Loan Documents, Grantor: (i) shall have no right of subrogation against Borrower by reason of any payments or acts of performance by Grantor in compliance with the obligations of Grantor under this Deed of Trust; (ii) waives any right to enforce any remedy that Grantor may have against Borrower by reason of any one or more payments or acts of performance in compliance with the obligations of Grantor under this Deed of Trust; and (iii) subordinates any liability or indebtedness of Borrower held by Grantor to the obligations of Borrower to

Beneficiary under any of the Loan Documents and any other instruments of indebtedness.

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(c) Waivers.

Grantor hereby waives: (i) diligence and demand of payment except as otherwise required hereunder; (ii) all notices to Grantor, to Borrower, or to any other person, including, but not limited to, notices of the creation, renewal, extension, modification, or accrual, of any obligations contained in the Loan Documents or notice of any other matters relating thereto not expressly required under the Loan Documents or this Deed of Trust; (iii) all demands whatsoever; (iv) any statute of limitations affecting liability under this Deed of Trust or the enforcement of this Deed of Trust; (v) any duty on the part of Beneficiary to disclose to Grantor any facts that it may now or hereafter know about Borrower, regardless of whether Beneficiary has reason to believes that any such facts materially increase the risk beyond that which Grantor intends to assume or has reason to believe that such facts are unknown to Grantor or has reasonable opportunity to communicate such facts to Grantor, it being understood and agreed that Grantor is fully responsible for being and keeping informed of the financial condition of Borrower and of all circumstances bearing on the risk of nonpayment of any amount hereby secured; (vi) all principal or provisions of law that conflict with the terms of this Deed of Trust or any circumstances which would otherwise constitute a legal or equitable discharge of Grantor hereunder; (vii) any right Grantor may have to require Beneficiary to proceed against Borrower or against any other party to foreclose any lien on any real or personal property, to exercise any right or remedy under the Loan Documents, or to pursue any other remedy, or to enforce any other right; and (viii) any and all benefits of California Civil Code Sections 2809, 2810, 2819, 2822, 2845, 2849, 2850 and 2855, and California Code of Civil Procedure Sections 580a, 580b, 580d and 726.

(d) Acknowledgments.

Grantor specifically understands and agrees as follows: (i) that all of Grantor's obligations under this Deed of Trust are independent of the obligations of Borrower under the Loan Documents, and that a separate action may be bought against Grantor whether or not an action has commenced against Borrower under any such Loan Documents or from exercising any rights available to Beneficiary under the Loan Documents; (ii) nothing in this Deed of Trust shall prevent Beneficiary from suing on the

Loan Documents; (iii) that the exercise of any of Beneficiary's rights under this Deed of Trust shall not constitute a legal or equitable discharge of Grantor; and (iv) that under certain circumstances, if Beneficiary elects to nonjudicial foreclose on real property (if any) owned by Borrower in the State of California, Grantor's subrogation rights against Borrower will be destroyed because California Code of Civil Procedure Section 580d precludes anyone, including Grantor, from obtaining a deficiency judgment after a nonjudicial foreclosure sale, and that Grantor has waived any defense it may have based upon the loss of Grantor's subrogation rights against Borrower resulting from Beneficiary's

election to nonjudicial foreclose on real property owned by Borrower (if any) located in the State of California to the Deed of Trust.

EXHIBIT 10.18

EMPLOYMENT AGREEMENT dated as of June 30, 1999 (the "Agreement"), between DJ Orthopedics, LLC, a Delaware limited liability company (the "Company") and a wholly owned subsidiary of DonJoy, L.L.C., a Delaware limited liability company ("DonJoy"), and Leslie H. Cross (the "Executive").

The execution and delivery of this Agreement by the Company and the Executive is being made simultaneously with the closing of the transactions contemplated by the Recapitalization Agreement dated as of April 29, 1999 (as the same may be amended or otherwise modified from time to time, the "Purchase Agreement", the terms defined therein being used herein as therein defined), by and among Smith & Nephew, Inc., a Delaware corporation, DonJoy and Chase DJ Partners, LLC, a Delaware limited liability company ("Chase").

In consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. EMPLOYMENT.

The Company shall employ the Executive, and the Executive accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning on the date hereof and ending as provided in Paragraph 4 (the "Employment Period").

2. POSITION AND DUTIES.

(a) During the Employment Period, the Executive shall serve as Chief Executive Officer and President of the Company and shall have the usual and customary duties, responsibilities and authority of a President subject to the power of the board of directors of the Company (the "Board") (i) with the Executive's consent, to expand or limit such duties, responsibilities and authority and (ii) to override the actions of the Executive. The Executive shall perform his duties principally at Vista, CA or such other location as the Executive and the Board shall agree.

(b) (i) The Executive shall report to the Board and shall devote his best efforts and substantially all of his active business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of the Company and its Affiliates. The Executive shall perform his duties and responsibilities to the best of his abilities in a diligent and professional manner.

(ii) During the Employment Period, the Executive shall not

engage in any business activity which, in the reasonable judgment of the Board, conflicts or substantially interferes with the duties of the Executive hereunder, whether or not such activity is pursued for gain, profit or other pecuniary advantage.

(c) The foregoing restrictions shall not limit or prohibit the Executive from engaging in passive investment, inactive business ventures and community, charitable and social activities not interfering with the Executive's performance and obligations hereunder.

3. BASE SALARY AND BENEFITS.

(a) During the Employment Period, the Executive's base salary shall be $235,900 per annum, or such higher rate as the Board (excluding the Executive if he should be a member of the Board at the time of such determination) may designate from time to time (the "Base Salary"), which Base Salary shall be payable in regular installments in accordance with the Company's general payroll practices and subject to withholding and other payroll taxes. In addition, during the Employment Period, the Executive shall be entitled to participate in all employee benefit and insurance programs for which executive employees of the Company are generally eligible.

(b) The Company shall reimburse the Executive for all reasonable expenses incurred by him in the course of performing his duties under this Agreement, which are consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documenting of such expenses.

(c) During the Employment Period, the Executive shall be entitled to four weeks paid vacation during each 12-month period worked, commencing on the date hereof.

(d) In addition to the Base Salary, the Executive shall be eligible to receive an annual bonus (either in cash or equity interests of DonJoy) as determined by the Board (excluding the Executive if he should be a member of the Board at the time of such determination) in its sole discretion.

(e) In addition to the foregoing and for the 1999 calendar year only, the Executive shall be entitled to (i) club membership dues, (ii) car allowance and (iii) tax preparation fee consistent with the benefits previously provided to Executive by Smith & Nephew, Inc. and each of which shall be payable only, to the extent such benefits have not already been paid by Smith & Nephew, Inc.; provided, however, that following the 1999 calendar year, the Executive shall be entitled to the car allowance for the remainder of the Employment Period in accordance with past practice.

4. TERM.

(a) The Employment Period shall end on the third anniversary of the date of this Agreement, but may be extended annually for additional one year terms by the mutual agreement of the Company and the Executive; provided, however, that (i) the Employment Period shall terminate prior to such date upon the Executive's resignation, death or Disability (as defined in the following sentence), and (ii) the Employment Period may be terminated by the Company at any time prior to such date for Cause (as defined below) or without Cause. For purposes of this Agreement the term "Disability" means any long-term disability or incapacity which (i) renders the Executive unable to substantially perform his duties hereunder for 120 days during any 12-month period or (ii) would reasonably be expected to

render the Executive unable to substantially perform his duties for 120 days during any 12-month period, in each case as determined by the Board (excluding the Executive if he should be a member of the Board at the time of such determination) in its good faith judgment; provided, however, that if the Executive disputes any determination of Disability made by the Board pursuant to clause (ii) of the following sentence, the dispute shall be referred to three licensed physicians practicing within a 100-mile radius of the city or township nearest to the Executive's place of employment by the Company, one of whom shall be selected by the Board, a second of whom shall be selected by the Executive and the third of whom shall be selected by the two physicians selected by the Board and the Executive, respectively, and the opinion of the majority of such physicians shall be the determination of Disability, and shall be final and binding on both the Executive and the Company.

(b) If the Employment Period is terminated by the Company without Cause, the Executive shall be entitled to receive only his Base Salary for a period equal to twenty-four months following such termination. Such payments of the Base Salary as severance will be made periodically in the same amounts and at the same intervals as if the Employment Period had not ended and the Base Salary otherwise continued to be paid unless otherwise accelerated by the Board.

(c) If the Employment Period is terminated by the Company for Cause, or by reason of the Executive's resignation, death or Disability, the Executive shall be entitled to receive only his Base Salary, but only to the extent such amount has accrued through the termination date.

(d) Except as otherwise required by law (e.g., COBRA) or as specifically provided herein, all of the Executive's rights to salary, severance, fringe benefits and bonuses hereunder (if any) accruing after the termination of the Employment Period shall cease upon termination of the Employment Period. In the event the Executive is terminated by the Company

without Cause, the sole remedy of the Executive and his successors, assigns, heirs, representatives and estate shall be to receive the severance payments described in Paragraph 4(b). In the event the Executive is terminated by the Company for Cause or by reason of the Executive's death, Disability or resignation, the sole remedy of the Executive and his successors, assigns, heirs, representatives and estate shall be to receive the severance payment described in Paragraph 4(c).

For purposes of this Agreement, "Cause" means the (i) failure by the Executive to perform such duties as are reasonably requested by the Board as documented in writing to the Executive, (ii) the Executive's willful disregard of his duties or failure to act, where such action would be in the ordinary course of the Executive's duties, (iii) the failure by the Executive to observe all material Company policies and material policies of all Affiliates of the Company generally applicable to executives of the Company and/or its Affiliates, (iv) gross negligence or willful misconduct by the Executive in the performance of his duties, (v) the commission by the Executive of any act of fraud, theft or financial dishonesty with respect to the Company or any of its Affiliates, or any felony or criminal act involving moral turpitude, (vi) the material breach by the Executive of this Agreement, including, without limitation, any breach by the Executive of the provisions of Paragraph 5, Paragraph 6 or Paragraph 7, or (a) the Amended and Restated Operating Agreement of DonJoy, (b) the Members' Agreement of DonJoy, (c) any option

agreement to which DonJoy and the Executive may become a party, or (d) the Secured Promissory Note and Pledge Agreement dated the date hereof, (vii) chronic absenteeism, or (viii) alcohol or other substance abuse. For purposes of this Agreement, "Affiliates" means DonJoy (or its successors or assigns) and all subsidiaries thereof.

5. NONDISCLOSURE AND NONUSE OF CONFIDENTIAL INFORMATION.

(a) The Executive will not disclose or use at any time, either during the Employment Period or thereafter, any Confidential Information (as defined below) of which the Executive is or becomes aware, whether or not such information is developed by him, except to the extent that such disclosure or use is directly related to and required by the Executive's performance in good faith of duties assigned to the Executive by the Board. The Executive will take all appropriate steps to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. The Executive shall deliver to the Company at the termination of the Employment Period, or at any time the Company may request, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) relating to the Confidential Information, Work Product (as defined below) of the business of the Company or any of its Affiliates which the Executive may then possess or have under his control.

(b) As used in this Agreement, the term "Confidential Information" means information that is not generally known to the public and that is used, developed or obtained by the Company in connection with its business, including but not limited to (i) information, observations and data obtained by the Executive while employed by the Company or any predecessors thereof (including those obtained prior to the date of this Agreement) concerning the business or affairs of the Company (or such predecessors), (ii) products or services, (iii) fees, costs and pricing structures, (iv) designs, (v) analyses, (vi) drawings, photographs and reports, (vii) computer software, including operating systems, applications and program listings, (viii) flow charts, manuals and documentation, (ix) data bases, (x) accounting and business methods, (xi) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xii) customers and clients and customer or client lists, (xiii) copyrightable works, (xiv) all production methods, processes, technology and trade secrets and (xv) all similar and related information in whatever form. Confidential Information will not include any information that has been published in a form generally available to the public prior to the date the Executive proposes to disclose or use such information.

6. INVENTIONS AND PATENTS.

The Executive agrees that all inventions, innovations, improvements, technical information, systems, software developments, methods, designs, analyses, drawings, reports, service marks, trademarks, trade names, logos and all similar or related information (whether patentable or unpatentable) which relates to the Company's or any of its Affiliates' actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by the Executive (whether or not during usual business hours and whether or not alone or in conjunction with any other person) while employed by the Company (including those conceived, developed or made prior to the date of this Agreement)

together with all patent applications, letters patent, trademark, tradename and service mark applications or registrations, copyrights and reissues thereof that may be granted for or upon any of the foregoing (collectively referred to herein as, the "Work Product"), belong in all instances to the Company or such Affiliate. The Executive will promptly disclose such Work Product to the Board and perform (at the Company's expense) all actions reasonably requested by the Board (whether during or after the Employment Period) to establish and confirm the Company's ownership of such Work Product (including, without limitation, the execution and delivery of assignments, consents, powers of attorney and other instruments) and to provide (at the Company's expense) reasonable assistance to the Company or any of its Affiliates in connection with the prosecution of any applications for patents, trademarks, trade names, service

marks or reissues thereof or in the prosecution or defense of interferences relating to any Work Product.

7. NON-SOLICITATION.

The Executive agrees that, for the period that includes (i) the Employment Period and (ii) four (4) years after the termination of the Employment Period (the "Non-Solicit Period"), the Executive shall not directly or indirectly through another person or entity (i) induce or attempt to induce any employee of the Company or any Affiliate of the Company to leave the employ of the Company or such Affiliate, or in any way interfere with the relationship between the Company or any such Affiliate, on the one hand, and any employee thereof, on the other hand, (ii) hire any person who was an employee of the Company, until six months after such individual's employment relationship with the Company or any Affiliate of the Company has been terminated or (iii) induce or attempt to induce any customer, supplier, licensee or other business relation of the Company or any Affiliate to cease doing business with the Company or such Affiliate, or in any way interfere with the relationship between any such customer, supplier, licensee or business relation, on the one hand, and the Company or any Affiliate, on the other hand.

8. ENFORCEMENT.

Because the Executive's services are unique and because the Executive has access to Confidential Information and Work Product, the parties hereto agree that money damages would be an inadequate remedy for any breach of this Agreement. Therefore, in the event of a breach or threatened breach of this Agreement, the Company or its successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security), or require the Executive to account for and pay over to the Company all compensation, profits, moneys, accruals, increments or other benefits derived from or received as a result of any transactions constituting a breach of the covenants contained in this Agreement, if and when final judgment of a court of competent jurisdiction is so entered against the Executive.

9. INSURANCE.

The Company may, for its own benefit, maintain "keyman" life and disability insurance policies covering the Executive. The Executive will cooperate with the Company and

provide such information or other assistance as the Company may reasonably request in connection with the Company obtaining and maintaining such policies.

10. SEVERANCE PAYMENTS.

In addition to the foregoing, and not in any way in limitation thereof, or in limitation of any right or remedy otherwise available to the Company, if the Executive violates any provision of the foregoing Paragraph 5, Paragraph 6 or Paragraph 7, any severance payments then or thereafter due from the Company to the Executive shall be terminated forthwith and the Company's obligation to pay and the Executive's right to receive such severance payments shall terminate and be of no further force or effect, if and when determined by a court of competent jurisdiction, in each case without limiting or affecting the Executive's obligations under such Paragraph 5, Paragraph 6 and Paragraph 7 or the Company's other rights and remedies available at law or equity.

11. REPRESENTATIONS AND WARRANTIES.

(a) The Executive hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Agreement by the Executive does not and will not conflict with, breach, violate or cause a default under any agreement, contract or instrument to which the Executive is a party or any judgment, order or decree to which the Executive is subject, (ii) the Executive is not a party to or bound by any employment agreement, consulting agreement, non-compete agreement or confidentiality agreement or similar agreement with any other person or entity and (iii) upon the execution and delivery of this Agreement by the Company and the Executive, this Agreement will be a valid and binding obligation of the Executive, enforceable in accordance with its terms.

(b) The Company hereby represents and warrants to the Executive that (i) this Agreement has been duly authorized by all necessary limited liability company action on the part of the Company, (ii) the execution, delivery and performance of this Agreement by the Company does not and will not conflict with, breach, violate or cause a default under any agreement, contract or instrument to which the Company is a party or any judgment, order or decree to which the Company is subject, and (iii) upon the execution and delivery of this Agreement by the Company and the Executive, this Agreement will be a valid and binding obligation of the Company.

12. TERMINATION OF EXISTING EMPLOYMENT ARRANGEMENTS.

Effective upon the singing of this Agreement, the Employee Retention Agreement Resulting from a Change in Control or Division Divestiture, dated as of December 14, 1998, by and between Smith & Nephew, Inc. and the Executive shall be terminated and shall be of no further force or effect and the Executive hereby agrees to take all action necessary to affect such termination.

13. NOTICES.

All notices, requests, demands, claims, and other communications hereunder shall be in writing. Any notice, request, demand, claim or other communication hereunder shall be

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delivered personally to the recipient, delivered by United States Post Office mail, telecopied to the intended recipient at the telecopy number set forth therefor below (with hard copy to follow), or sent to the recipient by reputable express courier service (charges prepaid) and addressed to the intended recipient as set forth below:

If to the Company to:

DJ Orthopedics, LLC
2985 Scott St.
Vista, CA 92083
Telephone: (760) 727-1280
Telecopy: (760) 734-3536;

with a copy to:

Chase DJ Partners, LLC
c/o Chase Capital Partners Inc.
380 Madison Avenue
New York, NY 10017
Attention: Damion Wicker, John Daileader
Telephone: (212) 622-3100
Telecopy: (212) 622-3101;

with a copy to:

O'Sullivan Graev & Karabell, LLP
30 Rockefeller Plaza, 41st Floor
New York, New York 10112
Attention: John J. Suydam, Esq.
Telephone: (212) 408-2400
Telecopy: (212) 408-2420.

If to the Executive, to:

Les Cross
c/o DJ Orthopedic, LLC
2985 Scott St.
Vista, CA 92083
Telephone: (760) 727-1280
Telecopy: (760) 734-3536;

or such other address as the recipient party to whom notice is to be given may

have furnished to the other party in writing in accordance herewith. Any such communication shall deemed to have been delivered and received (a) when delivered, if personally delivered, sent by telecopier or sent by overnight courier, and (b) on the fifth business day following the date posted, if sent by mail.

14. GENERAL PROVISIONS.

(a) Severability. It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Agreement shall be adjudicated by a court of competent jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

(b) Complete Agreement. This Agreement, those documents expressly referred to herein and each of (i) DonJoy's 1999 Option Plan and related option agreements, (ii) the Members' Agreement of DonJoy, (iii) the Amended and Restated Operating Agreement of DonJoy, (iv) the Secured Promissory Note and (v) Pledge Agreement (collectively, the "Management Related Documents") embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(c) Right of Set Off. In the event of a breach by the Executive of the provisions of any of the Management Documents, the Company is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all amounts at any time held by the Company on behalf of the Executive and all indebtedness at any time owing by the Company to the Executive against any and all of the obligations of the Executive now or hereafter existing under the Management Related Documents.

(d) Successors and Assigns. Except as otherwise provided herein, this Agreement shall bind and inure to the benefit of and be enforceable by the Executive and the Company and their respective successors, assigns, heirs, representatives and estate; provided, however, that the rights and obligations of the Executive under this Agreement shall not be assigned

without the prior written consent of the Company.

(e) Governing Law. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE DOMESTIC LAWS OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICTING PROVISION OR RULE (WHETHER OF THE STATE OF DELAWARE OR ANY OTHER JURISDICTION), THAT WOULD CAUSE THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF DELAWARE TO BE APPLIED. IN FURTHERANCE OF THE FOREGOING, THE INTERNAL LAW OF THE STATE OF DELAWARE WILL CONTROL THE INTERPRETATION AND CONSTRUCTION OF THIS AGREEMENT, EVEN IF UNDER SUCH JURISDICTION'S CHOICE OF LAW OR CONFLICT OF LAW ANALYSIS, THE SUBSTANTIVE LAW OF SOME OTHER JURISDICTION WOULD ORDINARILY APPLY.

(f) Jurisdiction and Venue.

(i) The Company and the Executive hereby irrevocably and unconditionally submit, for themselves and their property, to the non-exclusive jurisdiction of any New York court or federal court of the United States of America sitting in New York, New York and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or for recognition or enforcement of any judgment, and the Company and the Executive hereby irrevocably and unconditionally agree that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. The Company and the Executive agree 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.

(ii) The Company and the Executive irrevocably and unconditionally waive, to the fullest extent they may legally and effectively do so, any objection that they may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York State or federal court sitting in New York, New York. The Company and the Executive irrevocably waive, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(iii) The Company and the Executive further agree that the mailing by certified or registered mail, return receipt requested, of any process required by any such court shall constitute valid and lawful service of process against them, without the necessity for service by any other means provided by law.

(g) Amendment and Waiver. The provisions of this Agreement may be amended and waived only with the prior written consent of the Company, the

Executive and Chase, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement or any provision hereof.

(h) Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

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

(j) Attorney's Fees. The Company agrees to pay reasonable and substantiated fees and out-of-pocket expenses of counsel to the Executive for such counsels' review of this Agreement and the Management Related Documents.

* * * *

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

DJ ORTHOPEDICS, LLC

By: /s/ Cyril Talbot III

Name: Cyril Talbot III
Title: V.P., CFO, and Secretary

/s/ Leslie H. Cross

Leslie H. Cross

EXHIBIT 10.19

EMPLOYMENT AGREEMENT dated as of June 30, 1999 (the "Agreement"), between DJ Orthopedics, LLC, a Delaware limited liability company (the "Company") and a wholly owned subsidiary of DonJoy, L.L.C., a Delaware limited liability company ("DonJoy"), and Cyril Talbot III (the "Executive").

The execution and delivery of this Agreement by the Company and the Executive is being made simultaneously with the closing of the transactions contemplated by the Recapitalization Agreement dated as of April 29, 1999 (as the same may be amended or otherwise modified from time to time, the "Purchase Agreement", the terms defined therein being used herein as therein defined), by and among Smith & Nephew, Inc., a Delaware corporation, DonJoy and Chase DJ Partners, LLC, a Delaware limited liability company ("Chase").

In consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. EMPLOYMENT.

The Company shall employ the Executive, and the Executive accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning on the date hereof and ending as provided in Paragraph 4 (the "Employment Period").

2. POSITION AND DUTIES.

(a) During the Employment Period, the Executive shall serve as Vice President of Finance, Chief Financial Officer and Secretary of the Company and shall have the usual and customary duties, responsibilities and authority of a Vice President subject to the power of the board of directors of the Company (the "Board") (i) with the Executive's consent, to expand or limit such duties, responsibilities and authority and (ii) to override the actions of the Executive. The Executive shall perform his duties principally at Vista, CA or such other location as the Executive and the Board shall agree.

(b) (i) The Executive shall report to the Board and shall devote his best efforts and substantially all of his active business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of the Company and its Affiliates. The Executive shall perform his duties and responsibilities to the best of his abilities in a diligent and professional manner.

(ii) During the Employment Period, the Executive shall not engage in any business activity which, in the reasonable judgment of the Board,

conflicts or substantially interferes with the duties of the Executive hereunder, whether or not such activity is pursued for gain, profit or other pecuniary advantage.

(c) The foregoing restrictions shall not limit or prohibit the Executive from engaging in passive investment, inactive business ventures and community, charitable and social activities not interfering with the Executive's performance and obligations hereunder.

3. BASE SALARY AND BENEFITS.

(a) During the Employment Period, the Executive's base salary shall be $151,945 per annum, or such higher rate as the Board (excluding the Executive if he should be a member of the Board at the time of such determination) may designate from time to time (the "Base Salary"), which Base Salary shall be payable in regular installments in accordance with the Company's general payroll practices and subject to withholding and other payroll taxes. In addition, during the Employment Period, the Executive shall be entitled to participate in all employee benefit and insurance programs for which executive employees of the Company are generally eligible.

(b) The Company shall reimburse the Executive for all reasonable expenses incurred by him in the course of performing his duties under this Agreement, which are consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documenting of such expenses.

(c) During the Employment Period, the Executive shall be entitled to three weeks paid vacation during each 12-month period worked, commencing on the date hereof.

(d) In addition to the Base Salary, the Executive shall be eligible to receive an annual bonus (either in cash or equity interests of DonJoy) as determined by the Board (excluding the Executive if he should be a member of the Board at the time of such determination) in its sole discretion.

(e) In addition to the foregoing and for the 1999 calendar year only, the Executive shall be entitled to (i) club membership dues, (ii) car allowance and (iii) tax preparation fee consistent with the benefits previously provided to Executive by Smith & Nephew, Inc. and each of which shall be payable only, to the extent such benefits have not already been paid by Smith & Nephew, Inc.; provided, however, that following the 1999 calendar year, the Executive shall be entitled to the car allowance for the remainder of the Employment Period in accordance with past practice.

4. TERM.

(a) The Employment Period shall end on the third anniversary of the date of this Agreement, but may be extended annually for additional one year terms by the mutual agreement of the Company and the Executive; provided, however, that (i) the Employment Period shall terminate prior to such date upon the Executive's resignation, death or Disability (as defined in the following sentence), and (ii) the Employment Period may be terminated by the Company at any time prior to such date for Cause (as defined below) or without Cause. For purposes of this Agreement the term "Disability" means any long-term disability or incapacity which (i) renders the Executive unable to substantially perform his duties hereunder for 120 days during any 12-month period or (ii) would reasonably be expected to

render the Executive unable to substantially perform his duties for 120 days during any 12-month period, in each case as determined by the Board (excluding the Executive if he should be a member of the Board at the time of such determination) in its good faith judgment; provided, however, that if the Executive disputes any determination of Disability made by the Board pursuant to clause (ii) of the following sentence, the dispute shall be referred to three licensed physicians practicing within a 100-mile radius of the city or township nearest to the Executive's place of employment by the Company, one of whom shall be selected by the Board, a second of whom shall be selected by the Executive and the third of whom shall be selected by the two physicians selected by the Board and the Executive, respectively, and the opinion of the majority of such physicians shall be the determination of Disability, and shall be final and binding on both the Executive and the Company.

(b) If the Employment Period is terminated by the Company without Cause, the Executive shall be entitled to receive only his Base Salary for a period equal to twelve months following such termination. Such payments of the Base Salary as severance will be made periodically in the same amounts and at the same intervals as if the Employment Period had not ended and the Base Salary otherwise continued to be paid unless otherwise accelerated by the Board.

(c) If the Employment Period is terminated by the Company for Cause, or by reason of the Executive's resignation, death or Disability, the Executive shall be entitled to receive only his Base Salary, but only to the extent such amount has accrued through the termination date.

(d) Except as otherwise required by law (e.g., COBRA) or as specifically provided herein, all of the Executive's rights to salary, severance, fringe benefits and bonuses hereunder (if any) accruing after the termination of the Employment Period shall cease upon termination of the Employment Period. In the event the Executive is terminated by the Company without Cause, the sole remedy of the Executive and his successors, assigns, heirs, representatives and estate shall be to receive the severance payments

described in Paragraph 4(b). In the event the Executive is terminated by the Company for Cause or by reason of the Executive's death, Disability or resignation, the sole remedy of the Executive and his successors, assigns, heirs, representatives and estate shall be to receive the severance payment described in Paragraph 4(c).

For purposes of this Agreement, "Cause" means the (i) failure by the Executive to perform such duties as are reasonably requested by the Board as documented in writing to the Executive, (ii) the Executive's willful disregard of his duties or failure to act, where such action would be in the ordinary course of the Executive's duties, (iii) the failure by the Executive to observe all material Company policies and material policies of all Affiliates of the Company generally applicable to executives of the Company and/or its Affiliates, (iv) gross negligence or willful misconduct by the Executive in the performance of his duties, (v) the commission by the Executive of any act of fraud, theft or financial dishonesty with respect to the Company or any of its Affiliates, or any felony or criminal act involving moral turpitude, (vi) the material breach by the Executive of this Agreement, including, without limitation, any breach by the Executive of the provisions of Paragraph 5, Paragraph 6 or Paragraph 7, or (a) the Amended and Restated Operating Agreement of DonJoy, (b) the Members' Agreement of DonJoy, (c) any option

agreement to which DonJoy and the Executive may become a party, or (d) the Secured Promissory Note and Pledge Agreement dated the date hereof, (vii) chronic absenteeism, or (viii) alcohol or other substance abuse. For purposes of this Agreement, "Affiliates" means DonJoy (or its successors or assigns) and all subsidiaries thereof.

5. NONDISCLOSURE AND NONUSE OF CONFIDENTIAL INFORMATION.

(a) The Executive will not disclose or use at any time, either during the Employment Period or thereafter, any Confidential Information (as defined below) of which the Executive is or becomes aware, whether or not such information is developed by him, except to the extent that such disclosure or use is directly related to and required by the Executive's performance in good faith of duties assigned to the Executive by the Board. The Executive will take all appropriate steps to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. The Executive shall deliver to the Company at the termination of the Employment Period, or at any time the Company may request, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) relating to the Confidential Information, Work Product (as defined below) of the business of the Company or any of its Affiliates which the Executive may then possess or have under his control.

(b) As used in this Agreement, the term "Confidential Information" means information that is not generally known to the public and that is used, developed or obtained by the Company in connection with its business, including but not limited to (i) information, observations and data obtained by the Executive while employed by the Company or any predecessors thereof (including those obtained prior to the date of this Agreement) concerning the business or affairs of the Company (or such predecessors), (ii) products or services, (iii) fees, costs and pricing structures, (iv) designs, (v) analyses, (vi) drawings, photographs and reports, (vii) computer software, including operating systems, applications and program listings, (viii) flow charts, manuals and documentation, (ix) data bases, (x) accounting and business methods, (xi) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xii) customers and clients and customer or client lists, (xiii) copyrightable works, (xiv) all production methods, processes, technology and trade secrets and (xv) all similar and related information in whatever form. Confidential Information will not include any information that has been published in a form generally available to the public prior to the date the Executive proposes to disclose or use such information.

6. INVENTIONS AND PATENTS.

The Executive agrees that all inventions, innovations, improvements, technical information, systems, software developments, methods, designs, analyses, drawings, reports, service marks, trademarks, trade names, logos and all similar or related information (whether patentable or unpatentable) which relates to the Company's or any of its Affiliates' actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by the Executive (whether or not during usual business hours and whether or not alone or in conjunction with any other person) while employed by the Company (including those conceived, developed or made prior to the date of this Agreement)

together with all patent applications, letters patent, trademark, tradename and service mark applications or registrations, copyrights and reissues thereof that may be granted for or upon any of the foregoing (collectively referred to herein as, the "Work Product"), belong in all instances to the Company or such Affiliate. The Executive will promptly disclose such Work Product to the Board and perform (at the Company's expense) all actions reasonably requested by the Board (whether during or after the Employment Period) to establish and confirm the Company's ownership of such Work Product (including, without limitation, the execution and delivery of assignments, consents, powers of attorney and other instruments) and to provide (at the Company's expense) reasonable assistance to the Company or any of its Affiliates in connection with the prosecution of any applications for patents, trademarks, trade names, service marks or reissues

thereof or in the prosecution or defense of interferences relating to any Work Product.

7. NON-SOLICITATION.

The Executive agrees that, for the period that includes (i) the Employment Period and (ii) four (4) years after the termination of the Employment Period (the "Non-Solicit Period"), the Executive shall not directly or indirectly through another person or entity (i) induce or attempt to induce any employee of the Company or any Affiliate of the Company to leave the employ of the Company or such Affiliate, or in any way interfere with the relationship between the Company or any such Affiliate, on the one hand, and any employee thereof, on the other hand, (ii) hire any person who was an employee of the Company, until six months after such individual's employment relationship with the Company or any Affiliate of the Company has been terminated or (iii) induce or attempt to induce any customer, supplier, licensee or other business relation of the Company or any Affiliate to cease doing business with the Company or such Affiliate, or in any way interfere with the relationship between any such customer, supplier, licensee or business relation, on the one hand, and the Company or any Affiliate, on the other hand.

8. ENFORCEMENT.

Because the Executive's services are unique and because the Executive has access to Confidential Information and Work Product, the parties hereto agree that money damages would be an inadequate remedy for any breach of this Agreement. Therefore, in the event of a breach or threatened breach of this Agreement, the Company or its successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security), or require the Executive to account for and pay over to the Company all compensation, profits, moneys, accruals, increments or other benefits derived from or received as a result of any transactions constituting a breach of the covenants contained in this Agreement, if and when final judgment of a court of competent jurisdiction is so entered against the Executive.

9. INSURANCE.

The Company may, for its own benefit, maintain "keyman" life and disability insurance policies covering the Executive. The Executive will cooperate with the Company and

provide such information or other assistance as the Company may reasonably request in connection with the Company obtaining and maintaining such policies.

10. SEVERANCE PAYMENTS.

In addition to the foregoing, and not in any way in limitation thereof, or in limitation of any right or remedy otherwise available to the Company, if the Executive violates any provision of the foregoing Paragraph 5, Paragraph 6 or Paragraph 7, any severance payments then or thereafter due from the Company to the Executive shall be terminated forthwith and the Company's obligation to pay and the Executive's right to receive such severance payments shall terminate and be of no further force or effect, if and when determined by a court of competent jurisdiction, in each case without limiting or affecting the Executive's obligations under such Paragraph 5, Paragraph 6 and Paragraph 7 or the Company's other rights and remedies available at law or equity.

11. REPRESENTATIONS AND WARRANTIES.

(a) The Executive hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Agreement by the Executive does not and will not conflict with, breach, violate or cause a default under any agreement, contract or instrument to which the Executive is a party or any judgment, order or decree to which the Executive is subject, (ii) the Executive is not a party to or bound by any employment agreement, consulting agreement, non-compete agreement or confidentiality agreement or similar agreement with any other person or entity and (iii) upon the execution and delivery of this Agreement by the Company and the Executive, this Agreement will be a valid and binding obligation of the Executive, enforceable in accordance with its terms.

(b) The Company hereby represents and warrants to the Executive that (i) this Agreement has been duly authorized by all necessary limited liability company action on the part of the Company, (ii) the execution, delivery and performance of this Agreement by the Company does not and will not conflict with, breach, violate or cause a default under any agreement, contract or instrument to which the Company is a party or any judgment, order or decree to which the Company is subject, and (iii) upon the execution and delivery of this Agreement by the Company and the Executive, this Agreement will be a valid and binding obligation of the Company.

12. TERMINATION OF EXISTING EMPLOYMENT ARRANGEMENTS.

Effective upon the singing of this Agreement, the Employee Retention Agreement Resulting from a Change in Control or Division Divestiture, dated as of December 14, 1998, by and between Smith & Nephew, Inc. and the Executive shall be terminated and shall be of no further force or effect and the Executive hereby agrees to take all action necessary to affect such termination.

13. NOTICES.

All notices, requests, demands, claims, and other communications hereunder shall be in writing. Any notice, request, demand, claim or other communication hereunder shall be

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delivered personally to the recipient, delivered by United States Post Office mail, telecopied to the intended recipient at the telecopy number set forth therefor below (with hard copy to follow), or sent to the recipient by reputable express courier service (charges prepaid) and addressed to the intended recipient as set forth below:

If to the Company to:

DJ Orthopedic, LLC
2985 Scott St.
Vista, CA 92083
Telephone: (760) 727-1280
Telecopy: (760) 734-3536;

with a copy to:

Chase DJ Partners, LLC
c/o Chase Capital Partners Inc.
380 Madison Avenue
New York, NY 10017
Attention: Damion Wicker, John Daileader
Telephone: (212) 622-3100
Telecopy: (212) 622-3101;

with a copy to:

O'Sullivan Graev & Karabell, LLP
30 Rockefeller Plaza, 41st Floor
New York, New York 10112
Attention: John J. Suydam, Esq.
Telephone: (212) 408-2400
Telecopy: (212) 408-2420.

If to the Executive, to:

Cy Talbot
c/o DJ Orthopedics, LLC
2985 Scott St.
Vista, CA 92083
Telephone: (760) 727-1280
Telecopy: (760) 734-3536;

or such other address as the recipient party to whom notice is to be given may have furnished to the other party in writing in accordance herewith. Any such

communication shall deemed to have been delivered and received (a) when delivered, if personally delivered, sent by telecopier or sent by overnight courier, and (b) on the fifth business day following the date posted, if sent by mail.

14. GENERAL PROVISIONS.

(a) Severability. It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Agreement shall be adjudicated by a court of competent jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

(b) Complete Agreement. This Agreement, those documents expressly referred to herein and each of (i) DonJoy's 1999 Option Plan and related option agreements, (ii) the Members' Agreement of DonJoy, (iii) the Amended and Restated Operating Agreement of DonJoy, (iv) the Secured Promissory Note and (v) Pledge Agreement (collectively, the "Management Related Documents") embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(c) Right of Set Off. In the event of a breach by the Executive of the provisions of any of the Management Documents, the Company is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all amounts at any time held by the Company on behalf of the Executive and all indebtedness at any time owing by the Company to the Executive against any and all of the obligations of the Executive now or hereafter existing under the Management Related Documents.

(d) Successors and Assigns. Except as otherwise provided herein, this Agreement shall bind and inure to the benefit of and be enforceable by the Executive and the Company and their respective successors, assigns, heirs, representatives and estate; provided, however, that the rights and obligations of the Executive under this Agreement shall not be assigned

without the prior written consent of the Company.

(e) Governing Law. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE DOMESTIC LAWS OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICTING PROVISION OR RULE (WHETHER OF THE STATE OF DELAWARE OR ANY OTHER JURISDICTION), THAT WOULD CAUSE THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF DELAWARE TO BE APPLIED. IN FURTHERANCE OF THE FOREGOING, THE INTERNAL LAW OF THE STATE OF DELAWARE WILL CONTROL THE INTERPRETATION AND CONSTRUCTION OF THIS AGREEMENT, EVEN IF UNDER SUCH JURISDICTION'S CHOICE OF LAW OR CONFLICT OF LAW ANALYSIS, THE SUBSTANTIVE LAW OF SOME OTHER JURISDICTION WOULD ORDINARILY APPLY.

(f) Jurisdiction and Venue.

(i) The Company and the Executive hereby irrevocably and unconditionally submit, for themselves and their property, to the non-exclusive jurisdiction of any New York court or federal court of the United States of America sitting in New York, New York and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or for recognition or enforcement of any judgment, and the Company and the Executive hereby irrevocably and unconditionally agree that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. The Company and the Executive agree 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.

(ii) The Company and the Executive irrevocably and unconditionally waive, to the fullest extent they may legally and effectively do so, any objection that they may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York State or federal court sitting in New York, New York. The Company and the Executive irrevocably waive, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(iii) The Company and the Executive further agree that the mailing by certified or registered mail, return receipt requested, of any process required by any such court shall constitute valid and lawful service of process against them, without the necessity for service by any other means provided by law.

(g) Amendment and Waiver. The provisions of this Agreement may

be amended and waived only with the prior written consent of the Company, the Executive and Chase, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement or any provision hereof.

(h) Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

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

(j) Attorney's Fees. The Company agrees to pay reasonable and substantiated fees and out-of-pocket expenses of counsel to the Executive for such counsels' review of this Agreement and the Management Related Documents.

* * * *

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

DJ ORTHOPEDICS, LLC

By: /s/ Leslie H. Cross

Name: Leslie H. Cross
Title: President and CEO

/s/ Cyril Talbot III

Cyril Talbot III

EXHIBIT 10.20

EMPLOYMENT AGREEMENT dated as of June 30, 1999 (the "Agreement"), between DJ Orthopedics, LLC, a Delaware limited liability company (the "Company") and a wholly owned subsidiary of DonJoy, L.L.C., a Delaware limited liability company ("DonJoy"), and Michael R. McBrayer (the "Executive").

The execution and delivery of this Agreement by the Company and the Executive is being made simultaneously with the closing of the transactions contemplated by the Recapitalization Agreement dated as of April 29, 1999 (as the same may be amended or otherwise modified from time to time, the "Purchase Agreement", the terms defined therein being used herein as therein defined), by and among Smith & Nephew, Inc., a Delaware corporation, DonJoy and Chase DJ Partners, LLC, a Delaware limited liability company ("Chase").

In consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. EMPLOYMENT.

The Company shall employ the Executive, and the Executive accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning on the date hereof and ending as provided in Paragraph 4 (the "Employment Period").

2. POSITION AND DUTIES.

(a) During the Employment Period, the Executive shall serve as Vice President of Sales and Assistant Secretary of the Company and shall have the usual and customary duties, responsibilities and authority of a Vice President subject to the power of the board of directors of the Company (the "Board") (i) with the Executive's consent, to expand or limit such duties, responsibilities and authority and (ii) to override the actions of the Executive. The Executive shall perform his duties principally at Vista, CA or such other location as the Executive and the Board shall agree.

(b) (i) The Executive shall report to the Board and shall devote his best efforts and substantially all of his active business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of the Company and its Affiliates. The Executive shall perform his duties and responsibilities to the best of his abilities in a diligent and professional manner.

(ii) During the Employment Period, the Executive shall not engage in any business activity which, in the reasonable judgment of the Board, conflicts or substantially interferes with the duties of the Executive hereunder, whether or not such activity is pursued for gain, profit or other pecuniary advantage.

(c) The foregoing restrictions shall not limit or prohibit the Executive from engaging in passive investment, inactive business ventures and community, charitable and social activities not interfering with the Executive's performance and obligations hereunder.

3. BASE SALARY AND BENEFITS.

(a) During the Employment Period, the Executive's base salary shall be $155,715 per annum, or such higher rate as the Board (excluding the Executive if he should be a member of the Board at the time of such determination) may designate from time to time (the "Base Salary"), which Base Salary shall be payable in regular installments in accordance with the Company's general payroll practices and subject to withholding and other payroll taxes. In addition, during the Employment Period, the Executive shall be entitled to participate in all employee benefit and insurance programs for which executive employees of the Company are generally eligible.

(b) The Company shall reimburse the Executive for all reasonable expenses incurred by him in the course of performing his duties under this Agreement, which are consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documenting of such expenses.

(c) During the Employment Period, the Executive shall be entitled to four weeks paid vacation during each 12-month period worked, commencing on the date hereof.

(d) In addition to the Base Salary, the Executive shall be eligible to receive an annual bonus (either in cash or equity interests of DonJoy) as determined by the Board (excluding the Executive if he should be a member of the Board at the time of such determination) in its sole discretion.

(e) In addition to the foregoing and for the 1999 calendar year only, the Executive shall be entitled to (i) club membership dues, (ii) car allowance and (iii) tax preparation fee consistent with the benefits previously provided to Executive by Smith & Nephew, Inc. and each of which shall be payable only, to the extent such benefits have not already been paid by Smith & Nephew, Inc.; provided, however, that following the 1999 calendar year, the Executive shall be entitled to the car allowance for the remainder of the Employment Period in accordance with past practice.

4. TERM.

(a) The Employment Period shall end on the third anniversary of the date of this Agreement, but may be extended annually for additional one year terms by the mutual agreement of the Company and the Executive; provided, however, that (i) the Employment Period shall terminate prior to such date upon the Executive's resignation, death or Disability (as defined in the following sentence), and (ii) the Employment Period may be terminated by the Company at any time prior to such date for Cause (as defined below) or without Cause. For purposes of this Agreement the term "Disability" means any long-term disability or incapacity which (i) renders the Executive unable to substantially perform his duties hereunder for 120 days during any 12-month period or (ii) would reasonably be expected to

render the Executive unable to substantially perform his duties for 120 days during any 12-month period, in each case as determined by the Board (excluding the Executive if he should be a member of the Board at the time of such determination) in its good faith judgment; provided, however, that if the Executive disputes any determination of Disability made by the Board pursuant to clause (ii) of the following sentence, the dispute shall be referred to three licensed physicians practicing within a 100-mile radius of the city or township nearest to the Executive's place of employment by the Company, one of whom shall be selected by the Board, a second of whom shall be selected by the Executive and the third of whom shall be selected by the two physicians selected by the Board and the Executive, respectively, and the opinion of the majority of such physicians shall be the determination of Disability, and shall be final and binding on both the Executive and the Company.

(b) If the Employment Period is terminated by the Company without Cause, the Executive shall be entitled to receive only his Base Salary for a period equal to twelve months following such termination. Such payments of the Base Salary as severance will be made periodically in the same amounts and at the same intervals as if the Employment Period had not ended and the Base Salary otherwise continued to be paid unless otherwise accelerated by the Board.

(c) If the Employment Period is terminated by the Company for Cause, or by reason of the Executive's resignation, death or Disability, the Executive shall be entitled to receive only his Base Salary, but only to the extent such amount has accrued through the termination date.

(d) Except as otherwise required by law (e.g., COBRA) or as specifically provided herein, all of the Executive's rights to salary, severance, fringe benefits and bonuses hereunder (if any) accruing after the

termination of the Employment Period shall cease upon termination of the Employment Period. In the event the Executive is terminated by the Company without Cause, the sole remedy of the Executive and his successors, assigns, heirs, representatives and estate shall be to receive the severance payments described in Paragraph 4(b). In the event the Executive is terminated by the Company for Cause or by reason of the Executive's death, Disability or resignation, the sole remedy of the Executive and his successors, assigns, heirs, representatives and estate shall be to receive the severance payment described in Paragraph 4(c).

For purposes of this Agreement, "Cause" means the (i) failure by the Executive to perform such duties as are reasonably requested by the Board as documented in writing to the Executive, (ii) the Executive's willful disregard of his duties or failure to act, where such action would be in the ordinary course of the Executive's duties, (iii) the failure by the Executive to observe all material Company policies and material policies of all Affiliates of the Company generally applicable to executives of the Company and/or its Affiliates, (iv) gross negligence or willful misconduct by the Executive in the performance of his duties, (v) the commission by the Executive of any act of fraud, theft or financial dishonesty with respect to the Company or any of its Affiliates, or any felony or criminal act involving moral turpitude, (vi) the material breach by the Executive of this Agreement, including, without limitation, any breach by the Executive of the provisions of Paragraph 5, Paragraph 6 or Paragraph 7, or (a) the Amended and Restated Operating Agreement of DonJoy, (b) the Members' Agreement of DonJoy, (c) any option

agreement to which DonJoy and the Executive may become a party, or (d) the Secured Promissory Note and Pledge Agreement dated the date hereof, (vii) chronic absenteeism, or (viii) alcohol or other substance abuse. For purposes of this Agreement, "Affiliates" means DonJoy (or its successors or assigns) and all subsidiaries thereof.

5. NONDISCLOSURE AND NONUSE OF CONFIDENTIAL INFORMATION.

(a) The Executive will not disclose or use at any time, either during the Employment Period or thereafter, any Confidential Information (as defined below) of which the Executive is or becomes aware, whether or not such information is developed by him, except to the extent that such disclosure or use is directly related to and required by the Executive's performance in good faith of duties assigned to the Executive by the Board. The Executive will take all appropriate steps to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. The Executive shall deliver to the Company at the termination of the Employment Period, or at any time the Company may request, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) relating to the Confidential Information, Work Product (as defined below) of the

business of the Company or any of its Affiliates which the Executive may then possess or have under his control.

(b) As used in this Agreement, the term "Confidential Information" means information that is not generally known to the public and that is used, developed or obtained by the Company in connection with its business, including but not limited to (i) information, observations and data obtained by the Executive while employed by the Company or any predecessors thereof (including those obtained prior to the date of this Agreement) concerning the business or affairs of the Company (or such predecessors), (ii) products or services, (iii) fees, costs and pricing structures, (iv) designs, (v) analyses, (vi) drawings, photographs and reports, (vii) computer software, including operating systems, applications and program listings, (viii) flow charts, manuals and documentation, (ix) data bases, (x) accounting and business methods, (xi) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xii) customers and clients and customer or client lists, (xiii) copyrightable works, (xiv) all production methods, processes, technology and trade secrets and (xv) all similar and related information in whatever form. Confidential Information will not include any information that has been published in a form generally available to the public prior to the date the Executive proposes to disclose or use such information.

6. INVENTIONS AND PATENTS.

The Executive agrees that all inventions, innovations, improvements, technical information, systems, software developments, methods, designs, analyses, drawings, reports, service marks, trademarks, trade names, logos and all similar or related information (whether patentable or unpatentable) which relates to the Company's or any of its Affiliates' actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by the Executive (whether or not during usual business hours and whether or not alone or in conjunction with any other person) while employed by the Company (including those conceived, developed or made prior to the date of this Agreement)

together with all patent applications, letters patent, trademark, tradename and service mark applications or registrations, copyrights and reissues thereof that may be granted for or upon any of the foregoing (collectively referred to herein as, the "Work Product"), belong in all instances to the Company or such Affiliate. The Executive will promptly disclose such Work Product to the Board and perform (at the Company's expense) all actions reasonably requested by the Board (whether during or after the Employment Period) to establish and confirm the Company's ownership of such Work Product (including, without limitation, the execution and delivery of assignments, consents, powers of attorney and other instruments) and to provide (at the Company's expense) reasonable assistance to

the Company or any of its Affiliates in connection with the prosecution of any applications for patents, trademarks, trade names, service marks or reissues thereof or in the prosecution or defense of interferences relating to any Work Product.

7. NON-SOLICITATION.

The Executive agrees that, for the period that includes (i) the Employment Period and (ii) four (4) years after the termination of the Employment Period (the "Non-Solicit Period"), the Executive shall not directly or indirectly through another person or entity (i) induce or attempt to induce any employee of the Company or any Affiliate of the Company to leave the employ of the Company or such Affiliate, or in any way interfere with the relationship between the Company or any such Affiliate, on the one hand, and any employee thereof, on the other hand, (ii) hire any person who was an employee of the Company, until six months after such individual's employment relationship with the Company or any Affiliate of the Company has been terminated or (iii) induce or attempt to induce any customer, supplier, licensee or other business relation of the Company or any Affiliate to cease doing business with the Company or such Affiliate, or in any way interfere with the relationship between any such customer, supplier, licensee or business relation, on the one hand, and the Company or any Affiliate, on the other hand.

8. ENFORCEMENT.

Because the Executive's services are unique and because the Executive has access to Confidential Information and Work Product, the parties hereto agree that money damages would be an inadequate remedy for any breach of this Agreement. Therefore, in the event of a breach or threatened breach of this Agreement, the Company or its successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security), or require the Executive to account for and pay over to the Company all compensation, profits, moneys, accruals, increments or other benefits derived from or received as a result of any transactions constituting a breach of the covenants contained in this Agreement, if and when final judgment of a court of competent jurisdiction is so entered against the Executive.

9. INSURANCE.

The Company may, for its own benefit, maintain "keyman" life and disability insurance policies covering the Executive. The Executive will cooperate with the Company and

provide such information or other assistance as the Company may reasonably

request in connection with the Company obtaining and maintaining such policies.

10. SEVERANCE PAYMENTS.

In addition to the foregoing, and not in any way in limitation thereof, or in limitation of any right or remedy otherwise available to the Company, if the Executive violates any provision of the foregoing Paragraph 5, Paragraph 6 or Paragraph 7, any severance payments then or thereafter due from the Company to the Executive shall be terminated forthwith and the Company's obligation to pay and the Executive's right to receive such severance payments shall terminate and be of no further force or effect, if and when determined by a court of competent jurisdiction, in each case without limiting or affecting the Executive's obligations under such Paragraph 5, Paragraph 6 and Paragraph 7 or the Company's other rights and remedies available at law or equity.

11. REPRESENTATIONS AND WARRANTIES.

(a) The Executive hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Agreement by the Executive does not and will not conflict with, breach, violate or cause a default under any agreement, contract or instrument to which the Executive is a party or any judgment, order or decree to which the Executive is subject, (ii) the Executive is not a party to or bound by any employment agreement, consulting agreement, non-compete agreement or confidentiality agreement or similar agreement with any other person or entity and (iii) upon the execution and delivery of this Agreement by the Company and the Executive, this Agreement will be a valid and binding obligation of the Executive, enforceable in accordance with its terms.

(b) The Company hereby represents and warrants to the Executive that (i) this Agreement has been duly authorized by all necessary limited liability company action on the part of the Company, (ii) the execution, delivery and performance of this Agreement by the Company does not and will not conflict with, breach, violate or cause a default under any agreement, contract or instrument to which the Company is a party or any judgment, order or decree to which the Company is subject, and (iii) upon the execution and delivery of this Agreement by the Company and the Executive, this Agreement will be a valid and binding obligation of the Company.

12. TERMINATION OF EXISTING EMPLOYMENT ARRANGEMENTS.

Effective upon the singing of this Agreement, the Employee Retention Agreement Resulting from a Change in Control or Division Divestiture, dated as of December 14, 1998, by and between Smith & Nephew, Inc. and the Executive shall be terminated and shall be of no further force or effect and the Executive hereby agrees to take all action necessary to affect such termination.

13. NOTICES.

All notices, requests, demands, claims, and other communications

hereunder shall be in writing. Any notice, request, demand, claim or other communication hereunder shall be

delivered personally to the recipient, delivered by United States Post Office mail, telecopied to the intended recipient at the telecopy number set forth therefor below (with hard copy to follow), or sent to the recipient by reputable express courier service (charges prepaid) and addressed to the intended recipient as set forth below:

If to the Company to:

DJ Orthopedics, LLC
2985 Scott St.
Vista, CA 92083
Telephone: (760) 727-1280
Telecopy: (760) 734-3536;

with a copy to:

Chase DJ Partners, LLC
c/o Chase Capital Partners Inc.
380 Madison Avenue
New York, NY 10017
Attention: Damion Wicker, John Daileader
Telephone: (212) 622-3100
Telecopy: (212) 622-3101;

with a copy to:

O'Sullivan Graev & Karabell, LLP
30 Rockefeller Plaza, 41st Floor
New York, New York 10112
Attention: John J. Suydam, Esq.
Telephone: (212) 408-2400
Telecopy: (212) 408-2420.

If to the Executive, to:

Michael McBrayer
c/o DJ Orthopedics, LLC
2985 Scott St.
Vista, CA 92083
Telephone: (760) 727-1280
Telecopy: (760) 734-3536;

or such other address as the recipient party to whom notice is to be given may have furnished to the other party in writing in accordance herewith. Any such communication shall deemed to have been delivered and received (a) when delivered, if personally delivered, sent by telecopier or sent by overnight courier, and (b) on the fifth business day following the date posted, if sent by mail.

14. GENERAL PROVISIONS.

(a) Severability. It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Agreement shall be adjudicated by a court of competent jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

(b) Complete Agreement. This Agreement, those documents expressly referred to herein and each of (i) DonJoy's 1999 Option Plan and related option agreements, (ii) the Members' Agreement of DonJoy, (iii) the Amended and Restated Operating Agreement of DonJoy, (iv) the Secured Promissory Note and (v) Pledge Agreement (collectively, the "Management Related Documents") embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(c) Right of Set Off. In the event of a breach by the Executive of the provisions of any of the Management Documents, the Company is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all amounts at any time held by the Company on behalf of the Executive and all indebtedness at any time owing by the Company to the Executive against any and all of the obligations of the Executive now or hereafter existing under the Management Related Documents.

(d) Successors and Assigns. Except as otherwise provided herein, this Agreement shall bind and inure to the benefit of and be enforceable by the Executive and the Company and their respective successors, assigns,

heirs, representatives and estate; provided, however, that the rights and obligations of the Executive under this Agreement shall not be assigned without the prior written consent of the Company.

(e) Governing Law. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE DOMESTIC LAWS OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICTING PROVISION OR RULE (WHETHER OF THE STATE OF DELAWARE OR ANY OTHER JURISDICTION), THAT WOULD CAUSE THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF DELAWARE TO BE APPLIED. IN FURTHERANCE OF THE FOREGOING, THE INTERNAL LAW OF THE STATE OF DELAWARE WILL CONTROL THE INTERPRETATION AND CONSTRUCTION OF THIS AGREEMENT, EVEN IF UNDER SUCH JURISDICTION'S CHOICE OF LAW OR CONFLICT OF LAW ANALYSIS, THE SUBSTANTIVE LAW OF SOME OTHER JURISDICTION WOULD ORDINARILY APPLY.

(f) Jurisdiction and Venue.

(i) The Company and the Executive hereby irrevocably and unconditionally submit, for themselves and their property, to the non-exclusive jurisdiction of any New York court or federal court of the United States of America sitting in New York, New York and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or for recognition or enforcement of any judgment, and the Company and the Executive hereby irrevocably and unconditionally agree that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. The Company and the Executive agree 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.

(ii) The Company and the Executive irrevocably and unconditionally waive, to the fullest extent they may legally and effectively do so, any objection that they may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York State or federal court sitting in New York, New York. The Company and the Executive irrevocably waive, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(iii) The Company and the Executive further agree that the mailing by certified or registered mail, return receipt requested, of any process required by any such court shall constitute valid and lawful service of process against them, without the necessity for service by any other means provided by law.

(g) Amendment and Waiver. The provisions of this Agreement may be amended and waived only with the prior written consent of the Company, the Executive and Chase, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement or any provision hereof.

(h) Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

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

(j) Attorney's Fees. The Company agrees to pay reasonable and substantiated fees and out-of-pocket expenses of counsel to the Executive for such counsels' review of this Agreement and the Management Related Documents.

* * * *

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

DJ ORTHOPEDICS, LLC

By: /s/ Leslie H. Cross

Name: Leslie H. Cross
Title: President and CEO

/s/ Michael R. McBrayer

Michael R. McBrayer

EXHIBIT 10.21

DONJOY, L.L.C.
1999 OPTION PLAN

1. PURPOSE OF THE PLAN

The purpose of the DonJoy, L.L.C. 1999 Option Plan (the "Plan") is (i) to further the growth and success of, DonJoy, L.L.C. (the "Company") and its Subsidiaries (as hereinafter defined) by enabling directors and employees of, and independent consultants and contractors to, the Company and any of its Subsidiaries to acquire equity ownership interests in the Company (the "Units"), thereby increasing their personal interest in such growth and success, and (ii) to provide a means of rewarding outstanding performance by such persons to the Company and/or its Subsidiaries. For purposes of the Plan, the term "Subsidiary" shall mean "Subsidiary Corporation" as defined in Section 424(f) of the Internal Revenue Code of 1986, as amended.

2. ADMINISTRATION OF THE PLAN

(a) Option Committee

The Plan shall be administered by the Board of Managers of the Company (the "Board") or a three-person Option Committee (the "Committee") appointed from time to time by the Board. Any reference in the Plan to action by the Company means action by or under the authority of the Board or the Committee. The members of the Committee may be removed by the Board at any time either with or without cause. Any vacancy on the Committee, whether due to action of the Board or any other cause, shall be filled by the Board. The term "Committee" shall, for all purposes of the Plan other than this Section 2, be deemed to refer to the Board if the Board is administering the Plan.

(b) Procedures

The Committee shall adopt such rules and regulations as it shall deem appropriate concerning the holding of meetings and the administration of the Plan. A majority of the entire Committee shall constitute a quorum and the actions of a majority of the members of the Committee present at a meeting at which a quorum is present, or actions approved in writing by all of the members of the Committee, shall be the actions of the Committee.

(c) Interpretation

Except as otherwise expressly provided in the Plan, the Committee shall have all powers with respect to the administration of the Plan, including, without limitation, full power and authority to interpret the provisions of the Plan and any Option Agreement (as defined in Section 5(b)), and to resolve all questions arising under the Plan. All decisions of the Board or the Committee,

as the case may be, shall be conclusive and binding on all participants in the Plan.

3. UNITS SUBJECT TO THE PLAN.

(a) Number of Units

Subject to the provisions of Section 9 (relating to adjustments upon changes in capital structure and other limited liability company transactions), the maximum number of Units subject at any one time to options granted under the Plan ("Options"), plus the number of Units theretofore issued and delivered pursuant to the exercise of Options granted under the Plan, shall not in aggregate exceed 133,799(1) Units, as follows:

(i) Options relating to up to 53,520(2) Units may be granted pursuant to Option Agreements substantially in the form of Exhibit A hereto ("Tier I Options");

(ii) Options relating to up to 35,680(3) Units may be granted pursuant to Option Agreements substantially in the form of Exhibit B hereto ("Tier II Options"); and

(iii) Options relating to up to 44,599(4) Units may be granted pursuant to Option Agreements substantially in the form of Exhibit C hereto ("Tier III Options").

If and to the extent that Options granted under [clauses (i) through (iii) above] [the Plan] terminate, expire or are canceled without having been fully exercised, new Options may be granted under [clauses (i) through (iii) above] [the Plan] with respect to the Units covered by the unexercised portion of such terminated, expired or canceled Options.

(b) Character of Units

The Units issuable upon exercise of an Option granted under the Plan shall be (i) authorized but unissued Units, (ii) Units held in the Company's treasury or (iii) a combination of the foregoing.

(c) Reservation of Units

The number of Units reserved for issuance under the Plan shall at no time be less than the maximum number of Units which may be purchased at any time pursuant to outstanding Options.

4. ELIGIBILITY

Options may be granted under the Plan only to (i) persons who are

employees of, or independent consultants to, the Company or any of its Subsidiaries and (ii) persons who are directors or managers of the Company or any of its Subsidiaries. Notwithstanding the foregoing,

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(1) 15% of total Units at Closing.
(2) 6% of total Units at Closing.
(3) 4% of total Units at Closing.
(4) 5% of total Units at Closing.

Options may be conditionally granted to persons who are prospective employees or directors or managers of, or independent consultants to, the Company or any of its Subsidiaries.

5. GRANT OF OPTIONS

(a) General

Options may be granted under the Plan at any time and from time to time on or prior to the tenth anniversary of the Effective Date (as defined in Section 11). Subject to the provisions of the Plan, the Committee shall have plenary authority, in its discretion, to determine:

(i) the persons (from among the class of persons eligible to receive Options under the Plan) whom Options shall be granted (the "Optionees");

(ii) the time or times at which Options shall be granted;

(iii) the number of Units subject to each Option;

(iv) the Option Price of the Units subject to each Option; and

(v) the time or times when each Option shall become exercisable and the duration of the exercise period.

(b) Option Agreements

Each Option granted under the Plan shall be evidenced by a written agreement (an "Option Agreement"), containing such terms and conditions and in such form, not inconsistent with the Plan, as the Committee shall, in its discretion, provide. Each Option Agreement shall be executed by the Company and the Optionee.

(c) No Evidence of Employment or Service

Nothing contained in the Plan or in any Option Agreement shall confer upon any Optionee any right with respect to the continuation of his or her employment by or service with the Company or any of its Subsidiaries or interfere in any way with the right of the Company or any such Subsidiary (subject to the terms of any separate agreement to the contrary) at any time to terminate such employment or service or to increase or decrease the compensation of the Optionee from the rate in existence at the time of the grant of an Option.

(d) Date of Grant

The date of grant of an Option under the Plan shall be the date as of which the Committee approves the grant; provided, however, that the grant shall in no event be earlier than the date as of which the Optionee becomes an employee of the Company or one of its Subsidiaries.

6. OPTION PRICE

Subject to Section 9, the price (the "Option Price") at which each Unit subject to an Option granted under the Plan may be purchased shall be determined by the Committee at the time the Option is granted.

7. EXERCISABILITY OF OPTIONS

(a) Committee Determination

Each Option granted under the Plan shall be exercisable at such time or times, or upon the occurrence of such event or events, and for such number of Units subject to the Option, as shall be determined by the Committee and set forth in the Option Agreement evidencing such Option. If an Option is not at the time of grant immediately exercisable, the Committee may (i) in the Option Agreement evidencing such Option, provide for the acceleration of the exercise date or dates of the subject Option upon the occurrence of specified events and/or (ii) at any time prior to the complete termination of an Option, accelerate the exercise date or dates of such Option.

(b) Automatic Termination of Options

The unexercised portion of any Option granted under the Plan shall automatically terminate and shall become null and void and be of no further force or effect upon the first to occur of the following:

(i) the end of the stated term thereof;

(ii) if the Optionee is an employee, unless a shorter period is provided for in any Option Agreement, the expiration of three months from the

date that the Optionee ceases to be an employee of the Company or any of its Subsidiaries (other than as a result of an Involuntary Termination (as defined in clause (iii) below) or termination For Cause (as defined herein)); provided, however, that if the Optionee shall die during such three-month period, the time of termination of the unexercised portion of such Option shall be the expiration of 12 months from the date that such Optionee ceased to be an employee of the Company or any of its Subsidiaries;

(iii) if the Optionee is an employee, the expiration of 12 months from the date that the Optionee ceases to be an employee of the Company or any of its Subsidiaries, if such termination is due to such Optionee's death or Disability (as defined below) (an "Involuntary Termination");

(iv) if the Optionee is an employee, immediately upon the date that the Optionee ceases to be an employee of the Company or any of its Subsidiaries, if such termination is For Cause;

(v) the expiration of such period of time or the occurrence of such event as the Committee in its discretion may provide in the Option Agreement;

(vi) on the effective date of a Material Transaction (as defined in Section 9(b)(i)) to which Section 9(b)(ii) (relating to assumptions and substitutions of Options) does not apply; and

(vii) except to the extent permitted by Section 9(b)(ii), the date on which an Option or any part thereof or right or privilege relating thereto is transferred (otherwise than by will or the laws of descent and distribution), assigned, pledged, hypothecated, attached or otherwise disposed of by the Optionee.

As used herein, "Disability" means any accident, sickness, incapacity or other disability which (i) renders the Optionee unable to substantially perform all of his duties for 90 days during any period of 360 consecutive days or (ii) would reasonably be expected to render the Optionee unable to substantially perform all of his duties for 90 days during any period of 360 consecutive days, in the case of each of clauses (i) or (ii), as determined by the Board (excluding the Optionee should he be a member of the Board at the time of such determination) in its good faith judgment.

As used herein, "For Cause" shall mean (i) the failure by the Optionee to perform such duties as are reasonably requested by the Board or the Chief Executive Officer of the Company or its Subsidiaries, as applicable, (ii) the Optionee's failure to observe any material policies of the Company or its Subsidiaries, as applicable, (iii) gross negligence or willful misconduct by the Optionee in the performance of his duties, (iv) the commission by the Optionee of any act of fraud, theft or financial dishonesty with respect to the Company

or any of its Affiliates, or any felony or act involving moral turpitude, (v) the material breach by the Optionee of his/her employment agreement (if applicable) with the Company or its Subsidiaries, as applicable, or of any other agreement or contract with the Company or any Affiliate thereof (including, without limitation, the Members' Agreement of the Company or any option agreement which must be entered into pursuant to this Plan), (vi) chronic absenteeism or (vii) the failure of the Optionee to give at least 30 days' prior written notice of his termination of employment with the Company or its Subsidiaries, as applicable. For purposes of this Agreement, "Affiliates" means DJ Orthopedic, LLC (or its successors or assigns) and all subsidiaries thereof.

Anything contained in the Plan to the contrary notwithstanding, unless otherwise provided in an Option Agreement, no Option granted under the Plan shall be affected by any change of duties or position of the Optionee (including a transfer to or from the Company or one of its Subsidiaries), so long as such Optionee continues to be an employee of the Company or one of its Subsidiaries.

8. PROCEDURE FOR EXERCISE

(a) Payment

Payment upon exercise of an Option shall be made, at the election of the Optionee, (i) in cash or personal or certified check payable to the Company in an amount equal to the aggregate Option Price of the Units with respect to which the Option is being exercised or (ii) upon the surrender of Units or option to buy Units, in each case with such Units or Options to

buy Units, as the case may be, valued at the Fair Value per Unit (as defined in Section 8) thereof as determined by the Committee.

(b) Notice

An Optionee (or other person, as provided in Section 10(b)) may exercise an Option granted under the Plan in whole or in part (but for the purchase of whole Units only), as provided in the Option Agreement evidencing his Option, by delivering a written notice (the "Notice") to the Secretary of the Company. The Notice shall state:

(i) that the Optionee elects to exercise the Option;

(ii) the number of Units with respect to which the Option is being exercised (the "Optioned Units");

(iii) the method of payment for the Optioned Units (which method must be available to the Optionee under the terms of his or her Option Agreement);

(iv) the date upon which the Optionee desires to consummate the purchase (which date must be prior so the termination of such Option);

(v) a copy of any election filed by the Optionee pursuant to Section 83(b) of the Code; and

(vi) such further provisions consistent with the Plan as the Committee may from time to time require.

The exercise date of an Option shall be the date on which the Company receives the Notice from the Optionee.

(c) Issuance of Certificates

The Company shall issue a certificate in the name of the Optionee (or such other person exercising the Option in accordance with the provisions of Section 10(b)) for the Optioned Units as soon as practicable after receipt of the Notice and payment of the aggregate Option Price for such Units. Neither the Optionee nor any person exercising an Option in accordance with the provisions of Section 10(b) shall have any privileges as a holder of Units with respect to any Units subject to an Option granted under the Plan until the date of payment for such Units pursuant to the Option.

(d) Determination of Fair Market Value.

Fair Market Value of each Unit shall be determined in accordance with the following:

(i) "FAIR VALUE PER UNIT " shall mean, as of any date of determination, the fair value of each Unit (or, with respect to a warrant or option, the fair value of each Unit obtainable upon exercise thereof net of the exercise price), determined as follows:

At any time that the Fair Value Per Unit shall be required to be determined hereunder, the Board shall make a good faith determination (the "Board's Determination") of the fair value of each Unit within 30 days of the delivery by the Company of a Repurchase Notice (as defined in the Operating Agreement) (without taking into account that the Units may be "restricted securities" but with a reasonable discount, for the minority position represented by the Units and shall provide to the Member (as defined in the Operating Agreement) with respect to whose Unit such determination is being made a written notice thereof which notice shall set forth supporting data in respect of such calculation (the "Determination Notice"). The Member shall have 10 days following receipt of the Determination Notice within which to deliver to the Company a

written notice (the "Objection Notice") of an objection, if any, to the Board's Determination, which Objection Notice shall set forth the Member's good faith determination (the "Member's Determination") of the fair value of each Unit. The failure by the Member to deliver the Objection Notice within such 10-day period shall constitute the Member's acceptance of the Board's Determination as conclusive. In the event of the timely delivery of an Objection Notice, the Company and the Member shall attempt in good faith to arrive at an agreement with respect to the Fair Value per Unit, which agreement shall be set forth in writing within 15 days following delivery of the Objection Notice. If the Company and the Member are unable to reach an agreement within such 15-day period, the matter shall be promptly referred for determination to a regionally or nationally recognized investment banking or valuation firm (the "Valuer") reasonably acceptable to the Company and the Member. The Company and the Member will cooperate with each other in good faith to select such Valuer. The Valuer may select the Board's Determination or the Member's Determination as the Fair Value Per Unit or may select any other number or value (determined without taking into account that the Units may be "restricted securities" but with a reasonable discount, not to exceed 20% for the minority position represented by the Units). The Valuer's selection will be furnished to the Company and the Member in writing and conclusive and binding upon the Company and the Member. The fees and expenses of the Valuer shall be borne equally by the Company and the Member with respect to whose Units such determination relates; provided, however, that if the Fair Value per Unit, as determined by the Valuer, shall be more than 15% greater than the Board's Determination of such Fair Value per Unit, then such fees and expenses of the Valuer shall be borne entirely by the Company.

9. ADJUSTMENTS

(a) Changes in Capital Structure

Subject to Section 9(b), if the Unit is changed by reason of a split, reverse split or recapitalization, or converted into or exchanged for other securities as a result of a merger, consolidation or reorganization, the Committee shall make such adjustments in the number and class of Units with respect to which Options may be granted under the Plan as shall be equitable and appropriate in order to make such Options, as nearly as may be practicable, equivalent to such Options immediately prior to such change. A corresponding adjustment changing the

number and class of Units allocated to, and the Option Price of, each Option or portion thereof outstanding at the time of such change shall likewise be made.

(b) Material Transactions

The following rules shall apply in connection with the dissolution or liquidation of the Company, a reorganization, merger or consolidation in which the Company is not the surviving corporation, or a sale of all or substantially all of the assets of the Company to another person or entity (each, a "Material Transaction"), unless otherwise provided in the Option Agreement or in the Members' Agreement of even date herewith:

(i) each holder of an Option outstanding at such time shall be given (A) written notice of such Material Transaction at least 20 days prior to its proposed effective date (as specified in such notice) and (B) an opportunity, during the period commencing with delivery of such notice and ending 10 days prior to such proposed effective date, to exercise the Option to the full extent to which such Option would have been exercisable by the Optionee at the expiration of such 20-day period; provided, however, that upon the occurrence of a Material Transaction, all Options granted under the Plan and not so exercised shall automatically terminate; and

(ii) Notwithstanding anything contained in the Plan to the contrary, Section 9(b)(i) shall not be applicable if provision shall be made in connection with such Material Transaction for the assumption of outstanding Options by, or the substitution for such Options of new options covering the equity securities of, the surviving, successor or purchasing corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number, kind and option prices of Units subject to such options.

(c) Special Rules

The following rules shall apply in connection with Section 9(a) and (b) above:

(i) no fractional Units shall be issued as a result of any such adjustment, and any fractional Units resulting from the computations pursuant to Section 9(a) or (b) shall be eliminated and the Optionee shall receive cash consideration for such fractional Unit at the rate of the Fair Market Value of such Unit, determined in accordance with clause (d) below;

(ii) no adjustment shall be made for cash dividends or the issuance to holders of rights to subscribe for additional Units or other securities; and

(iii) any adjustments referred to in Section 9(a) or (b) shall be made by the Board or Committee (as the case may be) in good faith and shall be conclusive and binding on all persons holding Options granted under the Plan.

10. RESTRICTIONS ON OPTIONS AND OPTIONED UNITS

(a) Compliance With Securities Laws

No Options shall be granted under the Plan, and no Units shall be issued and delivered upon the exercise of Options granted under the Plan, unless and until the Company and/or the Optionee shall have complied with all applicable Federal or state registration, listing and/or qualification requirements and all other requirements of law or of any regulatory agencies having jurisdiction.

The Committee in its discretion may, as a condition to the exercise of any Option granted under the Plan, require an Optionee (i) to represent in writing that the Units received upon exercise of an Option are being acquired for investment and not with a view to distribution and (ii) to make such other representations and warranties as are deemed appropriate by the Company. Certificates representing Units acquired upon the exercise of Options that have not been registered under the Securities Act shall, if required by the Committee, bear the following legend and such additional legends as may be required by the Option Agreement evidencing a particular Option:

> "THE UNITS REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE UNITS HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE PLEDGED, HYPOTHECATED, SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE UNITS UNDER THE SECURITIES ACT OR AN OPINION OF COUNSEL TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT."

(b) Nonassignability of Option Rights

No Option granted under the Plan shall be assignable or otherwise transferable by the Optionee except by will or by the laws of descent and distribution. An Option may be exercised during the lifetime of the Optionee only by the Optionee. If an Optionee dies, his or her Option shall thereafter be exercisable, during the period specified in Section 7(b)(ii) or (iii) (as the case may be), by his or her executors or administrators to the full extent to which such Option was exercisable by the Optionee at the time of his or her death.

11. EFFECTIVE DATE OF PLAN

The Plan shall become effective on the date of its adoption by the Board.

12. EXPIRATION AND TERMINATION OF THE PLAN

Except with respect to Options then outstanding, the Plan shall expire on the first to occur of (i) the fifteenth anniversary of the date on which the Plan is approved by the holders of Units and (ii) the date as of which the

Board, in its sole discretion, determines that the Plan

shall terminate (the "Expiration Date"). Any Options outstanding as of the Expiration Date shall remain in effect until they have been exercised or terminated or have expired by their respective terms.

13. AMENDMENT OF PLAN

The Board may at any time prior to the Expiration Date modify and amend the Plan in any respect. No such amendment to the Plan shall affect the terms or provisions of any Option granted by the Company prior to the effectiveness of such amendment.

14. CAPTIONS

The use of captions in the Plan is for convenience. The captions are not intended to provide substantive rights.

15. WITHHOLDING TAXES

Whenever under the Plan, Units are to be delivered by an Optionee upon exercise of an Option, the Company shall be entitled to require as a condition of delivery that the Optionee remit or, in appropriate cases, agree to remit when due, an amount sufficient to satisfy all current or estimated future Federal, state and local income tax withholding the employee's portion of any employment tax requirements relating thereto.

16. OTHER PROVISIONS

Each Option granted under the Plan may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Committee, in its sole discretion.

17. NUMBER AND GENDER

With respect to words used in the Plan, the singular form shall include the plural form, the masculine gender shall include the feminine gender, and vice-versa, as the context requires

18. GOVERNING LAW

The validity and construction of the Plan and the instruments evidencing the Options granted hereunder shall be governed by the laws of the State of Delaware.

EXHIBIT 10.22

* CONFIDENTIAL *

Employee Retention Agreement
Resulting from a Change in Control or Division Divestiture

AGREEMENT made as of December 14, 1998, by and between Smith & Nephew, Inc. (the "Company") and Les Cross (the "Executive").

WHEREAS, the Company recognizes that the possibility of an occurrence of a Change in Control or the Divestiture of the BASS Division of the Company can result in significant distractions of the Company's key management personnel because of the uncertainties inherent in such a situation; as well as uncertainty in the business and potentially the employee's position in the future creates uncertainty for the employee's continued employment and the employee's position;

WHEREAS, the Executive possesses certain skills unique to the Company's business;

WHEREAS, the Company has determined that it is in the best interest of the Company to retain the services of the Executive and to ensure his continued dedication and efforts without undue concern for his personal security; and

WHEREAS, in order to induce the Executive to remain in the employ of the Company, particularly in the event of a Change in Control or Division Divestiture, the Company desires to enter into this Agreement with the Executive to provide the Executive with certain benefits in the event his employment is terminated as a result of, or in connection with, a Change in Control or the Divestment of a Division, and to provide the Executive with certain other benefits whether or not the Executive's employment is terminated.

NOW, THEREFORE, it is agreed as follows:

1. Term. This Agreement shall commence as of December 31, 1998, and shall continue in effect until December 31, 1999, when it shall terminate, unless extended by written mutual agreement signed by the Company and the Executive; provided, however, that in the event that a Change in Control or Division Divestiture occurs on or before December 31, 1999, the term of this Agreement shall not expire prior to the expiration of twelve (12) months after the occurrence of the Change in Control or the Divestiture of the BASS Division.

2. Definitions:

2.1 Cause. For purposes of this Agreement, "Cause" shall mean the misappropriation of corporate funds or other acts of dishonesty, activities materially harmful to the Company's business or reputation, willful refusal to perform or substantial disregard of Executive's assigned duties, or any violation of any legal obligation to the Company.

2.2 Change in Control / Division Divestiture. For purposes of this Agreement, "Change in Control" of BASS shall be deemed to have occurred if as a result of a tender offer, merger consolidation, sale of assets, acquisition of shares or contested election, or any combination of the foregoing transactions, (i) any person shall become the owner, beneficially or of record, of more than 30% of the aggregate voting power of the Company, other than a member of the Smith & Nephew Group of companies, (ii) substantially all of the assets of the Company shall be sold to another corporation; provided that the other corporation is not a member of the Smith & Nephew Group of companies or (iii) the persons who were directors of the Company immediately before the transaction shall cease to constitute a majority of the Board of Directors of the Company or any successor to the Company.

2.3 Disability. For purposes of this Agreement, "Disability" shall mean a physical or mental condition which impairs the Executive's ability to substantially perform his duties under this Agreement for a period of one hundred eighty (180) consecutive days as determined by a company appointed health care provider.

2.4 Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence after a Change in Control or a Division Divestiture of any of the events or conditions described in Subsections (1) through (8) hereof:

(1) a change in the Executive's title, position or responsibilities (including reporting responsibilities) which represents an adverse change from his present position or responsibilities in effect immediately prior to the Change in Control or the Divestiture of BASS; the assignment to the Executive of any duties or responsibilities which are inconsistent with his present position or responsibilities in effect immediately prior to the Change in Control or Divestiture of BASS; or

(2) a material reduction in the Executive's compensation or any failure to pay the Executive any compensation or benefits to which he is entitled within thirty (30) days of the date due;

(3) the Company requiring the Executive to be based at any place outside a 50-mile radius from his current location except for reasonably required travel on the Company's business which is not substantially greater than such current travel requirements.

(4) the failure by the Company to continue in effect any compensation or employee benefit plan in which the Executive is participating, unless a substitute or replacement plan has been implemented which provides substantially identical compensation or benefits to the Executive or unless the compensation and benefit plans are the same as those offered by the company to those in similar executive positions;

(5) the insolvency or the filing of a petition for bankruptcy by the Company;

(6) any material breach by the Company of any provision of this Agreement;

(7) any purported termination of the Executive's employment for Cause by the Company which does not comply with the terms of Section 2.1; or

(8) the failure of the Company to obtain an agreement from any successor or assign of the Company to assume and agree to perform this Agreement, as contemplated in Section 7 hereof.

3. Position and Duties. The Executive shall continue to have such responsibilities and authority as may be given to him from time to time by either the Chief Executive, President of the Company, or the Company's Board of Directors. The Executive shall devote substantially all his working time and efforts to the business of the Company.

4. Compensation and Benefits.

a. Salary. During the period of the Executive's employment hereunder, the Company shall pay to the Executive his current salary with the same frequency and on the same basis that the Company normally makes salary payments to other Executive personnel. This salary may be increased from time to time in accordance with normal business practices of the Company. If such increases take place, the Company shall not thereafter decrease the Executive's salary without the Executive's consent during the term of this Agreement.

b. Benefits. The Executive shall participate in all other compensation and benefit plans which are offered by the Company to employees in similar executive positions, in accordance with the terms of the plans.

c. Retention Bonus. Promptly following the Divestiture of the BASS Division or a Change in Control, the Executive shall receive a special retention taxable bonus equal to twelve months base salary for full on-going commitment of the Executive during the divestiture process and if he remains in his position through the completion of the Divestiture or Change in Control as determined by the Company.

If the Division is not sold by December 31, 1999, and the Divestiture process has ceased, the Executive will be eligible to receive a taxable Retention Bonus equal to 50% of the Retention Bonus, as outlined in paragraph one of Section 4c.

d. Special Sale Bonus. The Executive will be eligible to receive an additional taxable bonus payment of 150% of his base salary if the BASS Division is sold during the Executive's employment for an amount equal to or greater than $350 million ("Special Sale Bonus"). If the BASS Division is sold for an amount between $225 million and $350 million, then the Executive shall receive a pro rata share of the Special Sale Bonus. (Accordingly, if the sale price were $225 million, $250 million, $300 million, or $350 million, the Special Sale Bonus would be, respectively, 25%, 50%, 100%, or 150% of the Executive's base salary).

5. Severance and Benefits.

5.1 If within one year of a Change in Control or a Divestiture of BASS, the Executive is terminated by the purchasers for reasons other than Cause or if the executive resigns for Good Reason, then the Executive will be entitled to one year's base salary plus one year's taxable bonus (calculated as maximum normal bonus, excluding retention bonus), payable by the purchaser. "Severance Payments."

5.2 The Severance Payments provided for in 5.1 shall be reduced by 50% if, upon termination of his employment, the Executive does not accept within ten (10) days a written offer of employment by an affiliate of the Company, if such offer provides for a similar position of employment, base salary equal to or greater than 90% of Executive's salary at the time of termination, relocation costs, temporary living expenses, and guaranteed employment for eighteen (18) months unless employment is terminated for Cause, Disability or as a result of death.

6. Termination Date. "Termination Date" shall mean in the case of the Executive's death, his date of death, and in all other cases, the date specified in the Notice of Termination subject to the following:

a. If the Executive's employment is terminated by the Company for Cause, the date specified in the notice of Termination shall be the date of the action.

b. If the Executive's employment is terminated for Good Reason, the date specified in the Notice of Termination shall be at least thirty (30) days, except by mutual agreement.

c. If the Executive Voluntarily terminates the employment following the payment of the Retention Bonus and/or Severance Payments without Good Reason, he agrees to provide thirty (30) calendar days notice.

7. Successors; Binding Agreement.

a. This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns, and the Company shall require any successor or assign to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place.

b. Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Executive, his beneficiaries or legal representatives, except for compensation due the Executive as a result of his death which may pass by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal personal representative (executors, administrators, heirs, devisees, and/or legatees).

8. Notice. For purposes of this Agreement, notices and other communications provided for in the Agreement (including the Notice of Termination) shall be in writing and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, addressed to the respective addresses last given by each party to the other. All notices and communications shall be deemed to have been received on the date of personal delivery thereof or on the third business day after the mailing thereof, except that notice of change of address shall be effective only upon receipt by a designated representative of Smith & Nephew, Inc.

9. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company and for which the Executive may qualify, nor shall anything herein limit or reduce such rights as the Executive may have under any other agreements with the Company. Provided, however, that to the extent that the Executive receives benefits under this Agreement because of a Division Divestiture, he or she is not entitled to severance pay under any other severance plan, policy or arrangement of the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company shall be payable in accordance with such plan or program, except as explicitly modified by this Agreement.

10. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or at any prior or

subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

11. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California without giving effect to the conflicts of law principles thereof.

12. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not effect the validity or enforceability of the other provisions hereof.

13. Reduction of Payments by the Company. If any payment or benefit received by or in respect of the Executive under this Agreement or any other plan, arrangement or agreement with the Company or any other member of the Smith & Nephew Group of companies, (determined without regard to any additional payments required under this Section 13) (a "Payment") would be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (or any similar tax that may hereafter be imposed), the Company shall pay to the Executive with respect to such Payment an additional amount (the "Gross-up Payment") such that the net amount retained by the Executive from the Payment and the Gross-up Payment, after reduction for any Excise Tax upon the Payment and any federal, state and local income tax and Excise Tax upon the Gross-up Payment, shall be equal to the Payment.

SMITH & NEPHEW, INC.

By: /s/ Clifford Lomax

Clifford Lomax
Director

/s/ Leslie Cross

Leslie Cross

EXHIBIT 10.23

* CONFIDENTIAL *

Employee Retention Agreement
Resulting from a Change in Control or Division Divestiture

AGREEMENT made as of December 14, 1998, by and between Smith & Nephew, Inc. (the "Company") and Cy Talbot (the "Executive").

WHEREAS, the Company recognizes that the possibility of an occurrence of a Change in Control or the Divestiture of a Division of the Company can result in significant distractions of the Company's key management personnel because of the uncertainties inherent in such a situation; as well as uncertainty in the business and potentially the employee's position in the future creates uncertainty for the employee's continued employment and the employee's position;

WHEREAS, the Executive possesses certain skills unique to the Company's business;

WHEREAS, the Company has determined that it is in the best interest of the Company to retain the services of the Executive and to ensure his continued dedication and efforts without undue concern for his personal security; and

WHEREAS, in order to induce the Executive to remain in the employ of the Company, particularly in the event of a Change in Control or Division Divestiture, the Company desires to enter into this Agreement with the Executive to provide the Executive with certain benefits in the event his employment is terminated as a result of, or in connection with, a Change in Control or the Divestment of a Division, and to provide the Executive with certain other benefits whether or not the Executive's employment is terminated.

NOW, THEREFORE, it is agreed as follows:

1. Term. This Agreement shall commence as of December 31, 1998, and shall continue in effect until December 31, 1999, when it shall terminate, unless extended by mutual written agreement signed by the Company and the Executive; provided, however, that in the event that a Change in Control or Division Divestiture occurs on or before December 31, 1999. The term of this Agreement shall not expire prior to the expiration of twelve (12) months after the occurrence of a Change in Control or a Division Divestiture.

2. Definitions:

2.1 Cause. For purposes of this Agreement, "Cause" shall mean the misappropriation of corporate funds or other acts of dishonesty, activities materially harmful to the Company's business or reputation, willful refusal to perform or substantial disregard of Executive's assigned duties, or any violation of any legal obligation to the Company.

2.2 Change in Control / Division Divestiture. For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred if the Company shall

become a subsidiary of another corporation, shall be merged or consolidated into another corporation, if substantially all of the assets of the Company shall be sold to another corporation, or if another corporation shall acquire 30% or more of the outstanding shares of the Company; provided in each case that the other corporation is not a member of the Smith & Nephew Group of companies. A Division Divestiture is the sale of a Division by the Company to another corporation.

2.3 Disability. For purposes of this Agreement, "Disability" shall mean a physical or mental condition which impairs the Executive's ability to substantially perform his duties under this Agreement for a period of one hundred eighty (180) consecutive days as determined by a company appointed health care provider.

2.4 Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence after a Change in Control or a Division Divestiture of any of the events or conditions described in Subsections (1) through (8) hereof:

(1) a change in the Executive's title, position or responsibilities (including reporting responsibilities) which represents an adverse change from his title, position or responsibilities in effect immediately prior to a Change in Control or Division Divestiture; the assignment to the Executive of any duties or responsibilities which are inconsistent with his status, title, position or responsibilities in effect immediately prior to a Change in Control or Division Divestiture; or any removal of the Executive from or failure to reappoint or re-elect him to any of such offices or positions, except in connection with the termination of his employment for Disability, Cause, or as a result of his death; or

(2) a reduction in the Executive's compensation or any failure

to pay the Executive any compensation or benefits to which he is entitled within thirty (30) days of the date due;

(3) the Company requiring the Executive to be based at any place outside a 50-mile radius from his current location except for reasonably required travel on the Company's business which is not substantially greater than such current travel requirements.

(4) the failure by the Company to continue in effect (without a material reduction in benefit level, and/or reward opportunities) any compensation or employee benefit plan in which the Executive is participating, unless a substitute or replacement plan has been implemented which provides substantially identical compensation or benefits to the Executive or unless the compensation and benefit plans are the same as those offered by the company to those in similar executive positions;

(5) the insolvency or the filing of a petition for bankruptcy by the Company;

(6) any material breach by the Company of any provision of this Agreement;

(7) any purported termination of the Executive's employment for Cause by the Company which does not comply with the terms of Section 2.1; or

(8) the failure of the Company to obtain an agreement from any successor or assign of the Company to assume and agree to perform this Agreement, as contemplated in Section 7 hereof.

3. Position and Duties. The Executive shall continue to have such responsibilities and authority as may be given to him from time to time by either the Chief Executive, President of the Company, or the Company's Board of Directors. The Executive shall devote substantially all his working time and efforts to the business of the Company.

4. Compensation and Benefits.

a. Salary. During the period of the Executive's employment hereunder, the Company shall pay to the Executive his

current salary with the same frequency and on the same basis that the Company normally makes salary payments to other Executive personnel. This salary may be increased from time to time in accordance with normal business practices of the Company. If such increases take place, the Company shall not thereafter decrease the Executive's salary without the Executive's consent during the term of this Agreement.

b. Benefits. The Executive shall participate in all other compensation and benefit plans which are offered by the Company to employees in similar executive positions, in accordance with the terms of the plans.

c. Retention Bonus. In the event of a Division Divestiture, the Executive shall receive a special retention taxable bonus equal to twelve months base salary for full on-going commitment of the Executive during the divestiture process and if he remains in his position through the completion of the Divestiture as determined by the Company.

If the Division is not sold by December 31, 1999, and the Divestiture process has ceased, the Executive will be eligible to receive a taxable Retention Bonus equal to 50% of the Retention Bonus, as outlined in paragraph one of Section 4c.

d. Executive Benefits. For purposes of this Agreement, incentive bonuses, stock options, car, club dues, memberships, and financial planning/tax preparation are considered to be a part of compensation.

d(1) In the event of a Change in Control or Division Divestiture occurring on or before December 31, 1999, the Executive will earn a pro rata bonus based on results up to and including the date on which the Change in Control or Division Divestiture takes place.

d(2) The Company's customary accounting policies shall be used for determination of financial results.

4

5. Severance and Benefits.

5.1 If, on or before December 31, 1999, the Company successfully

divests the Division and the Executive's employment with the Company shall be terminated by the purchasers for reasons other than Cause, Disability or Death within one year of the completion of the divestiture, then the Executive will be entitled to one year's base salary plus one year's taxable bonus (calculated as maximum normal bonus achievable in 1999), payable by the purchaser.

5.2 The Severance payments shall be reduced by 50% if, upon termination of his employment, the Executive does not accept within ten (10) days a written offer of employment by an affiliate of the Company, if such offer provides for a similar position of employment, base salary equal to or greater than 90% of Executive's salary at the time of termination, relocation costs, temporary living expenses, and guaranteed employment for eighteen (18) months unless employment is terminated for Cause, disability or as a result of Death.

5.3 In the event the Executive's employment is terminated by Death, his estate shall receive a pro rata share of any severance or benefits provided for under Sections 4 and 5 of this Agreement up to the date of the Executive's death.

6. Termination Date. "Termination Date" shall mean in the case of the Executive's death, his date of death, and in all other cases, the date specified in the Notice of Termination subject to the following:

a. If the Executive's employment is terminated by the Company for Cause, the date specified in the notice of Termination shall be the date of the action.

b. If the Executive's employment is terminated for Good Reason, the date specified in the Notice of Termination shall be at least thirty (30) days except by mutual agreement.

c. If the Executive Voluntarily terminates the Agreement without Good Reason, he agrees to do so under the following terms:

(1) Provide thirty (30) calendar days notice.

(2) Agree not to compete with the Company or any affiliate for a period of six (6) months.

(3) Agree not to solicit the Company's employees for hire for a period of six (6) months.

5

Successors; Binding Agreement.

(a) This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns, and the Company shall require any successor or assign to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place.

(b) Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Executive, his beneficiaries or legal representatives, except for compensation due the Executive as a resulot of his death which may pass by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal personal representative (executors, administrators, heirs, devisees, and/or legatees).

8. Notice. For purposes of this Agreement, notices and other communications provided for in the Agreement (including the Notice of Termination) shall be in writing and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, addressed to the respective addresses last given by each party to the other. All notices and communications shall be deemed to have been received on the date of personal delivery thereof or on the third business day after the mailing thereof, except that notice of change of address shall be effective only upon receipt by a designated representative of Smith & Nephew, Inc.

9. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company and for which the Executive may qualify, nor shall anything herein limit or reduce such rights as the Executive may have under any other agreements with the Company. Provided, however, that to the extent that the Executive receives benefits under this Agreement because of a Division Divestiture, he or she is not entitled to severance pay under any other severance plan, policy or arrangement of the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive

under any plan or program of the Company shall be payable in accordance with such plan or program, except as explicitly modified by this Agreement.

10. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

11. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California without giving effect to the conflicts of law principles thereof.

12. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not effect the validity or enforceability of the other provisions hereof.

SMITH & NEPHEW, INC.

By: /s/ Clifford Lomax

Clifford Lomax
Director

/s/ Cyril Talbot III

Cyril Talbot III

EXHIBIT 10.24

* CONFIDENTIAL *

Employee Retention Agreement
Resulting from a Change in Control or Division Divestiture

AGREEMENT made as of December 14, 1998, by and between Smith & Nephew, Inc. (the "Company") and Michael McBrayer (the "Executive").

WHEREAS, the Company recognizes that the possibility of an occurrence of a Change in Control or the Divestiture of a Division of the Company can result in significant distractions of the Company's key management personnel because of the uncertainties inherent in such a situation; as well as uncertainty in the business and potentially the employee's position in the future creates uncertainty for the employee's continued employment and the employee's position;

WHEREAS, the Executive possesses certain skills unique to the Company's business;

WHEREAS, the Company has determined that it is in the best interest of the Company to retain the services of the Executive and to ensure his continued dedication and efforts without undue concern for his personal security; and

WHEREAS, in order to induce the Executive to remain in the employ of the Company, particularly in the event of a Change in Control or Division Divestiture, the Company desires to enter into this Agreement with the Executive to provide the Executive with certain benefits in the event his employment is terminated as a result of, or in connection with, a Change in Control or the Divestment of a Division, and to provide the Executive with certain other benefits whether or not the Executive's employment is terminated.

NOW, THEREFORE, it is agreed as follows:

1. Term. This Agreement shall commence as of December 31, 1998, and shall continue in effect until December 31, 1999, when it shall terminate, unless extended by mutual written agreement signed by the Company and the Executive; provided, however, that in the event that a Change in Control or Division Divestiture occurs on or before December 31, 1999. The term of this Agreement shall not expire prior to the expiration of twelve (12) months after the occurrence of a Change in Control or a Division Divestiture.

2. Definitions:

2.1 Cause. For purposes of this Agreement, "Cause" shall mean the misappropriation of corporate funds or other acts of dishonesty, activities materially harmful to the Company's business or reputation, willful refusal to perform or substantial disregard of Executive's assigned duties, or any violation of any legal obligation to the Company.

2.2 Change in Control / Division Divestiture. For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred if the Company shall

become a subsidiary of another corporation, shall be merged or consolidated into another corporation, if substantially all of the assets of the Company shall be sold to another corporation, or if another corporation shall acquire 30% or more of the outstanding shares of the Company; provided in each case that the other corporation is not a member of the Smith & Nephew Group of companies. A Division Divestiture is the sale of a Division by the Company to another corporation.

2.3 Disability. For purposes of this Agreement, "Disability" shall mean a physical or mental condition which impairs the Executive's ability to substantially perform his duties under this Agreement for a period of one hundred eighty (180) consecutive days as determined by a company appointed health care provider.

2.4 Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence after a Change in Control or a Division Divestiture of any of the events or conditions described in Subsections (1) through (8) hereof:

(1) a change in the Executive's title, position or responsibilities (including reporting responsibilities) which represents an adverse change from his title, position or responsibilities in effect immediately prior to a Change in Control or Division Divestiture; the assignment to the Executive of any duties or responsibilities which are inconsistent with his status, title, position or responsibilities in effect immediately prior to a Change in Control or Division Divestiture; or any removal of the Executive from or failure to reappoint or re-elect him to any of such offices or positions, except in connection with the termination of his employment for Disability, Cause, or as a result of his death; or

(2) a reduction in the Executive's compensation or any failure

to pay the Executive any compensation or benefits to which he is entitled within thirty (30) days of the date due;

(3) the Company requiring the Executive to be based at any place outside a 50-mile radius from his current location except for reasonably required travel on the Company's business which is not substantially greater than such current travel requirements.

(4) the failure by the Company to continue in effect (without a material reduction in benefit level, and/or reward opportunities) any compensation or employee benefit plan in which the Executive is participating, unless a substitute or replacement plan has been implemented which provides substantially identical compensation or benefits to the Executive or unless the compensation and benefit plans are the same as those offered by the company to those in similar executive positions;

(5) the insolvency or the filing of a petition for bankruptcy by the Company;

(6) any material breach by the Company of any provision of this Agreement;

(7) any purported termination of the Executive's employment for Cause by the Company which does not comply with the terms of Section 2.1; or

(8) the failure of the Company to obtain an agreement from any successor or assign of the Company to assume and agree to perform this Agreement, as contemplated in Section 7 hereof.

3. Position and Duties. The Executive shall continue to have such responsibilities and authority as may be given to him from time to time by either the Chief Executive, President of the Company, or the Company's Board of Directors. The Executive shall devote substantially all his working time and efforts to the business of the Company.

4. Compensation and Benefits.

a. Salary. During the period of the Executive's employment hereunder, the Company shall pay to the Executive his current salary with the same frequency and on the same basis that the Company normally makes salary payments to

other Executive personnel. This salary may be increased from time to time in accordance with normal business practices of the Company. If such increases take place, the Company shall not thereafter decrease the Executive's salary without the Executive's consent during the term of this Agreement.

b. Benefits. The Executive shall participate in all other compensation and benefit plans which are offered by the Company to employees in similar executive positions, in accordance with the terms of the plans.

c. Retention Bonus. In the event of a Division Divestiture, the Executive shall receive a special retention taxable bonus equal to twelve months base salary for full on-going commitment of the Executive during the divestiture process and if he remains in his position through the completion of the Divestiture as determined by the Company.

If the Division is not sold by December 31, 1999, and the Divestiture process has ceased, the Executive will be eligible to receive a taxable Retention Bonus equal to 50% of the Retention Bonus, as outlined in paragraph one of Section 4c.

d. Executive Benefits. For purposes of this Agreement, incentive bonuses, stock options, car, club dues, memberships, and financial planning/tax preparation are considered to be a part of compensation.

d(1) In the event of a Change in Control or Division Divestiture occurring on or before December 31, 1999, the Executive will earn a pro rata bonus based on results up to and including the date on which the Change in Control or Division Divestiture takes place.

d(2) The Company's customary accounting policies shall be used for determination of financial results.

4

5. Severance and Benefits.

5.1 If, on or before December 31, 1999, the Company successfully divests the Division and the Executive's employment with the Company shall be terminated by the purchasers for reasons other

than Cause, Disability or Death within one year of the completion of the divestiture, then the Executive will be entitled to one year's base salary plus one year's taxable bonus (calculated as maximum normal bonus achievable in 1999), payable by the purchaser.

5.2 The Severance payments shall be reduced by 50% if, upon termination of his employment, the Executive does not accept within ten (10) days a written offer of employment by an affiliate of the Company, if such offer provides for a similar position of employment, base salary equal to or greater than 90% of Executive's salary at the time of termination, relocation costs, temporary living expenses, and guaranteed employment for eighteen (18) months unless employment is terminated for Cause, disability or as a result of Death.

5.3 In the event the Executive's employment is terminated by Death, his estate shall receive a pro rata share of any severance or benefits provided for under Sections 4 and 5 of this Agreement up to the date of the Executive's death.

6. Termination Date. "Termination Date" shall mean in the case of the Executive's death, his date of death, and in all other cases, the date specified in the Notice of Termination subject to the following:

a. If the Executive's employment is terminated by the Company for Cause, the date specified in the notice of Termination shall be the date of the action.

b. If the Executive's employment is terminated for Good Reason, the date specified in the Notice of Termination shall be at least thirty (30) days except by mutual agreement.

c. If the Executive Voluntarily terminates the Agreement without Good Reason, he agrees to do so under the following terms:

(1) Provide thirty (30) calendar days notice.

(2) Agree not to compete with the Company or any affiliate for a period of six (6) months.

(3) Agree not to solicit the Company's employees for hire for a period of six (6) months.

Successors; Binding Agreement.

(a) This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns, and the Company shall require any successor or assign to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place.

(b) Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Executive, his beneficiaries or legal representatives, except for compensation due the Executive as a resulot of his death which may pass by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal personal representative (executors, administrators, heirs, devisees, and/or legatees).

8. Notice. For purposes of this Agreement, notices and other communications provided for in the Agreement (including the Notice of Termination) shall be in writing and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, addressed to the respective addresses last given by each party to the other. All notices and communications shall be deemed to have been received on the date of personal delivery thereof or on the third business day after the mailing thereof, except that notice of change of address shall be effective only upon receipt by a designated representative of Smith & Nephew, Inc.

9. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company and for which the Executive may qualify, nor shall anything herein limit or reduce such rights as the Executive may have under any other agreements with the Company. Provided, however, that to the extent that the Executive receives benefits under this Agreement because of a Division Divestiture, he or she is not entitled to severance pay under any other severance plan, policy or arrangement of the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company shall be payable in accordance with such plan or program, except as explicitly modified by this Agreement.

10. Miscellaneous. No provision of this Agreement may be modified,

waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

11. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California without giving effect to the conflicts of law principles thereof.

12. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not effect the validity or enforceability of the other provisions hereof.

SMITH & NEPHEW, INC.

By: /s/ Clifford Lomax

Clifford Lomax
Director

/s/ Michael McBrayer

Michael McBrayer

EXHIBIT 10.25

* CONFIDENTIAL *

Employee Retention Agreement
Resulting from a Change in Control or Division Divestiture

AGREEMENT made as of December 14, 1998, by and between Smith & Nephew, Inc. (the "Company") and Chuck Bastyr (the "Executive").

WHEREAS, the Company recognizes that the possibility of an occurrence of a Change in Control or the Divestiture of a Division of the Company can result in significant distractions of the Company's key management personnel because of the uncertainties inherent in such a situation; as well as uncertainty in the business and potentially the employee's position in the future creates uncertainty for the employee's continued employment and the employee's position;

WHEREAS, the Executive possesses certain skills unique to the Company's business;

WHEREAS, the Company has determined that it is in the best interest of the Company to retain the services of the Executive and to ensure his continued dedication and efforts without undue concern for his personal security; and

WHEREAS, in order to induce the Executive to remain in the employ of the Company, particularly in the event of a Change in Control or Division Divestiture, the Company desires to enter into this Agreement with the Executive to provide the Executive with certain benefits in the event his employment is terminated as a result of, or in connection with, a Change in Control or the Divestment of a Division, and to provide the Executive with certain other benefits whether or not the Executive's employment is terminated.

NOW, THEREFORE, it is agreed as follows:

1. Term. This Agreement shall commence as of December 31, 1998, and shall continue in effect until December 31, 1999, when it shall terminate, unless extended by mutual written agreement signed by the Company and the Executive; provided, however, that in the event that a Change in Control or Division Divestiture occurs on or before December 31, 1999. The term of this Agreement shall not expire prior to the expiration of twelve (12) months after the occurrence of a Change in Control or a Division Divestiture.

2. Definitions:

2.1 Cause. For purposes of this Agreement, "Cause" shall mean the misappropriation of corporate funds or other acts of dishonesty, activities materially harmful to the Company's business or reputation, willful refusal to perform or substantial disregard of Executive's assigned duties, or any violation of any legal obligation to the Company.

2.2 Change in Control / Division Divestiture. For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred if the Company shall

become a subsidiary of another corporation, shall be merged or consolidated into another corporation, if substantially all of the assets of the Company shall be sold to another corporation, or if another corporation shall acquire 30% or more of the outstanding shares of the Company; provided in each case that the other corporation is not a member of the Smith & Nephew Group of companies. A Division Divestiture is the sale of a Division by the Company to another corporation.

2.3 Disability. For purposes of this Agreement, "Disability" shall mean a physical or mental condition which impairs the Executive's ability to substantially perform his duties under this Agreement for a period of one hundred eighty (180) consecutive days as determined by a company appointed health care provider.

2.4 Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence after a Change in Control or a Division Divestiture of any of the events or conditions described in Subsections (1) through (8) hereof:

(1) a change in the Executive's title, position or responsibilities (including reporting responsibilities) which represents an adverse change from his title, position or responsibilities in effect immediately prior to a Change in Control or Division Divestiture; the assignment to the Executive of any duties or responsibilities which are inconsistent with his status, title, position or responsibilities in effect immediately prior to a Change in Control or Division Divestiture; or any removal of the Executive from or failure to reappoint or re-elect him to any of such offices or positions, except in connection with the termination of his employment for Disability, Cause, or as a result of his death; or

(2) a reduction in the Executive's compensation or any failure

to pay the Executive any compensation or benefits to which he is entitled within thirty (30) days of the date due;

(3) the Company requiring the Executive to be based at any place outside a 50-mile radius from his current location except for reasonably required travel on the Company's business which is not substantially greater than such current travel requirements.

(4) the failure by the Company to continue in effect (without a material reduction in benefit level, and/or reward opportunities) any compensation or employee benefit plan in which the Executive is participating, unless a substitute or replacement plan has been implemented which provides substantially identical compensation or benefits to the Executive or unless the compensation and benefit plans are the same as those offered by the company to those in similar executive positions;

(5) the insolvency or the filing of a petition for bankruptcy by the Company;

(6) any material breach by the Company of any provision of this Agreement;

(7) any purported termination of the Executive's employment for Cause by the Company which does not comply with the terms of Section 2.1; or

(8) the failure of the Company to obtain an agreement from any successor or assign of the Company to assume and agree to perform this Agreement, as contemplated in Section 7 hereof.

3. Position and Duties. The Executive shall continue to have such responsibilities and authority as may be given to him from time to time by either the Chief Executive, President of the Company, or the Company's Board of Directors. The Executive shall devote substantially all his working time and efforts to the business of the Company.

4. Compensation and Benefits.

a. Salary. During the period of the Executive's employment hereunder, the Company shall pay to the Executive his

current salary with the same frequency and on the same basis that the Company normally makes salary payments to other Executive personnel. This salary may be increased from time to time in accordance with normal business practices of the Company. If such increases take place, the Company shall not thereafter decrease the Executive's salary without the Executive's consent during the term of this Agreement.

b. Benefits. The Executive shall participate in all other compensation and benefit plans which are offered by the Company to employees in similar executive positions, in accordance with the terms of the plans.

c. Retention Bonus. In the event of a Division Divestiture, the Executive shall receive a special retention taxable bonus equal to six months base salary for full on-going commitment of the Executive during the divestiture process and if he remains in his position through the completion of the Divestiture as determined by the Company.

If the Division is not sold by December 31, 1999, and the Divestiture process has ceased, the Executive will be eligible to receive a taxable Retention Bonus equal to 50% of the Retention Bonus, as outlined in paragraph one of Section 4c.

d. Executive Benefits. For purposes of this Agreement, incentive bonuses, stock options, car, club dues, memberships, and financial planning/tax preparation are considered to be a part of compensation.

d(1) In the event of a Change in Control or Division Divestiture occurring on or before December 31, 1999, the Executive will earn a pro rata bonus based on results up to and including the date on which the Change in Control or Division Divestiture takes place.

d(2) The Company's customary accounting policies shall be used for determination of financial results.

4

5. Severance and Benefits.

5.1 If, on or before December 31, 1999, the Company successfully

divests the Division and the Executive's employment with the Company shall be terminated by the purchasers for reasons other than Cause, Disability or Death within one year of the completion of the divestiture, then the Executive will be entitled to one year's base salary plus one year's taxable bonus (calculated as maximum normal bonus achievable in 1999), payable by the purchaser.

5.2 The Severance payments shall be reduced by 50% if, upon termination of his employment, the Executive does not accept within ten (10) days a written offer of employment by an affiliate of the Company, if such offer provides for a similar position of employment, base salary equal to or greater than 90% of Executive's salary at the time of termination, relocation costs, temporary living expenses, and guaranteed employment for eighteen (18) months unless employment is terminated for Cause, disability or as a result of Death.

5.3 In the event the Executive's employment is terminated by Death, his estate shall receive a pro rata share of any severance or benefits provided for under Sections 4 and 5 of this Agreement up to the date of the Executive's death.

6. Termination Date. "Termination Date" shall mean in the case of the Executive's death, his date of death, and in all other cases, the date specified in the Notice of Termination subject to the following:

a. If the Executive's employment is terminated by the Company for Cause, the date specified in the notice of Termination shall be the date of the action.

b. If the Executive's employment is terminated for Good Reason, the date specified in the Notice of Termination shall be at least thirty (30) days except by mutual agreement.

c. If the Executive Voluntarily terminates the Agreement without Good Reason, he agrees to do so under the following terms:

(1) Provide thirty (30) calendar days notice.

(2) Agree not to compete with the Company or any affiliate for a period of six (6) months.

(3) Agree not to solicit the Company's employees for hire for a period of six (6) months.

Successors; Binding Agreement.

(a) This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns, and the Company shall require any successor or assign to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place.

(b) Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Executive, his beneficiaries or legal representatives, except for compensation due the Executive as a resulot of his death which may pass by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal personal representative (executors, administrators, heirs, devisees, and/or legatees).

8. Notice. For purposes of this Agreement, notices and other communications provided for in the Agreement (including the Notice of Termination) shall be in writing and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, addressed to the respective addresses last given by each party to the other. All notices and communications shall be deemed to have been received on the date of personal delivery thereof or on the third business day after the mailing thereof, except that notice of change of address shall be effective only upon receipt by a designated representative of Smith & Nephew, Inc.

9. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company and for which the Executive may qualify, nor shall anything herein limit or reduce such rights as the Executive may have under any other agreements with the Company. Provided, however, that to the extent that the Executive receives benefits under this Agreement because of a Division Divestiture, he or she is not entitled to severance pay under any other severance plan, policy or arrangement of the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company shall be payable in accordance with such plan or program, except as explicitly modified by this Agreement.

10. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

11. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California without giving effect to the conflicts of law principles thereof.

12. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not effect the validity or enforceability of the other provisions hereof.

SMITH & NEPHEW, INC.

By: /s/ Clifford Lomax

Clifford Lomax
Director

/s/ Chuck Bastyr

Chuck Bastyr

EXHIBIT 10.26

* CONFIDENTIAL *

Employee Retention Agreement
Resulting from a Change in Control or Division Divestiture

AGREEMENT made as of December 14, 1998, by and between Smith & Nephew, Inc. (the "Company") and Peter Bray (the "Executive").

WHEREAS, the Company recognizes that the possibility of an occurrence of a Change in Control or the Divestiture of a Division of the Company can result in significant distractions of the Company's key management personnel because of the uncertainties inherent in such a situation; as well as uncertainty in the business and potentially the employee's position in the future creates uncertainty for the employee's continued employment and the employee's position;

WHEREAS, the Executive possesses certain skills unique to the Company's business;

WHEREAS, the Company has determined that it is in the best interest of the Company to retain the services of the Executive and to ensure his continued dedication and efforts without undue concern for his personal security; and

WHEREAS, in order to induce the Executive to remain in the employ of the Company, particularly in the event of a Change in Control or Division Divestiture, the Company desires to enter into this Agreement with the Executive to provide the Executive with certain benefits in the event his employment is terminated as a result of, or in connection with, a Change in Control or the Divestment of a Division, and to provide the Executive with certain other benefits whether or not the Executive's employment is terminated.

NOW, THEREFORE, it is agreed as follows:

1. Term. This Agreement shall commence as of December 31, 1998, and shall continue in effect until December 31, 1999, when it shall terminate, unless extended by mutual written agreement signed by the Company and the Executive; provided, however, that in the event that a Change in Control or Division Divestiture occurs on or before December 31, 1999. The term of this Agreement shall not expire prior to the expiration of twelve (12) months after the occurrence of a Change in Control or a Division Divestiture.

2. Definitions:

2.1 Cause. For purposes of this Agreement, "Cause" shall mean the

misappropriation of corporate funds or other acts of dishonesty, activities materially harmful to the Company's business or reputation, willful refusal to perform or substantial disregard of Executive's assigned duties, or any violation of any legal obligation to the Company.

2.2 Change in Control / Division Divestiture. For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred if the Company shall become a subsidiary of another corporation, shall be merged or consolidated into another corporation, if substantially all of the assets of the Company shall be sold to another corporation, or if another corporation shall acquire 30% or more of the outstanding shares of the Company; provided in each case that the other corporation is not a member of the

Smith & Nephew Group of companies. A Division Divestiture is the sale of a Division by the Company to another corporation.

2.3 Disability. For purposes of this Agreement, "Disability" shall mean a physical or mental condition which impairs the Executive's ability to substantially perform his duties under this Agreement for a period of one hundred eighty (180) consecutive days as determined by a company appointed health care provider.

2.4 Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence after a Change in Control or a Division Divestiture of any of the events or conditions described in Subsections (1) through (8) hereof:

(1) a change in the Executive's title, position or responsibilities (including reporting responsibilities) which represents an adverse change from his title, position or responsibilities in effect immediately prior to a Change in Control or Division Divestiture; the assignment to the Executive of any duties or responsibilities which are inconsistent with his status, title, position or responsibilities in effect immediately prior to a Change in Control or Division Divestiture; or any removal of the Executive from or failure to reappoint or re-elect him to any of such offices or positions, except in connection with the termination of his employment for Disability, Cause, or as a result of his death; or

(2) a reduction in the Executive's compensation or any failure to pay the Executive any compensation or benefits to which

he is entitled within thirty (30) days of the date due;

(3) the Company requiring the Executive to be based at any place outside a 50-mile radius from his current location except for reasonably required travel on the Company's business which is not substantially greater than such current travel requirements.

(4) the failure by the Company to continue in effect (without a material reduction in benefit level, and/or reward opportunities) any compensation or employee benefit plan in which the Executive is participating, unless a substitute or replacement plan has been implemented which provides substantially identical compensation or benefits to the Executive or unless the compensation and benefit plans are the same as those offered by the company to those in similar executive positions;

(5) the insolvency or the filing of a petition for bankruptcy by the Company;

(6) any material breach by the Company of any provision of this Agreement;

(7) any purported termination of the Executive's employment for Cause by the Company which does not comply with the terms of Section 2.1; or

(8) the failure of the Company to obtain an agreement from any successor or assign of the Company to assume and agree to perform this Agreement, as contemplated in Section 7 hereof.

3. Position and Duties. The Executive shall continue to have such responsibilities and authority as may be given to him from time to time by either the Chief Executive,

President of the Company, or the Company's Board of Directors. The Executive shall devote substantially all his working time and efforts to the business of the Company.

4. Compensation and Benefits.

a. Salary. During the period of the Executive's employment hereunder, the Company shall pay to the Executive his

current salary with the same frequency and on the same basis that the Company normally makes salary payments to other Executive personnel. This salary may be increased from time to time in accordance with normal business practices of the Company. If such increases take place, the Company shall not thereafter decrease the Executive's salary without the Executive's consent during the term of this Agreement.

b. Benefits. The Executive shall participate in all other compensation and benefit plans which are offered by the Company to employees in similar executive positions, in accordance with the terms of the plans.

c. Retention Bonus. In the event of a Division Divestiture, the Executive shall receive a special retention taxable bonus equal to six months base salary for full on-going commitment of the Executive during the divestiture process and if he remains in his position through the completion of the Divestiture as determined by the Company.

If the Division is not sold by December 31, 1999, and the Divestiture process has ceased, the Executive will be eligible to receive a taxable Retention Bonus equal to 50% of the Retention Bonus, as outlined in paragraph one of Section 4c.

d. Executive Benefits. For purposes of this Agreement, incentive bonuses, stock options, car, club dues, memberships, and financial planning/tax preparation are considered to be a part of compensation.

d(1) In the event of a Change in Control or Division Divestiture occurring on or before December 31, 1999, the Executive will earn a pro rata bonus based on results up to and including the date on which the Change in Control or Division Divestiture takes place.

d(2) The Company's customary accounting policies shall be used for determination of financial results.

5. Severance and Benefits.

5.1 If, on or before December 31, 1999, the Company successfully divests the Division and the Executive's employment with the Company shall be terminated by the purchasers for reasons other than Cause, Disability or Death within one year of the completion of the divestiture, then the Executive will be entitled to one year's base salary plus one year's taxable bonus (calculated as maximum normal bonus achievable in 1999), payable by the

purchaser.

5.2 The Severance payments shall be reduced by 50% if, upon termination of his employment, the Executive does not accept within ten (10) days a written offer of employment by an affiliate of the Company, if such offer provides for a similar position of employment, base salary equal to or greater than 90% of Executive's salary at the

time of termination, relocation costs, temporary living expenses, and guaranteed employment for eighteen (18) months unless employment is terminated for Cause, disability or as a result of Death.

5.3 In the event the Executive's employment is terminated by Death, his estate shall receive a pro rata share of any severance or benefits provided for under Sections 4 and 5 of this Agreement up to the date of the Executive's death.

6. Termination Date. "Termination Date" shall mean in the case of the Executive's death, his date of death, and in all other cases, the date specified in the Notice of Termination subject to the following:

a. If the Executive's employment is terminated by the Company for Cause, the date specified in the notice of Termination shall be the date of the action.

b. If the Executive's employment is terminated for Good Reason, the date specified in the Notice of Termination shall be at least thirty (30) days except by mutual agreement.

c. If the Executive Voluntarily terminates the Agreement without Good Reason, he agrees to do so under the following terms:

(1) Provide thirty (30) calendar days notice.

(2) Agree not to compete with the Company or any affiliate for a period of six (6) months.

(3) Agree not to solicit the Company's employees for hire for a period of six (6) months.

5

Successors; Binding Agreement.

(a) This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns, and the Company shall require any successor or assign to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place.

(b) Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Executive, his beneficiaries or legal representatives, except for compensation due the Executive as a resulot of his death which may pass by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal personal representative (executors, administrators, heirs, devisees, and/or legatees).

8. Notice. For purposes of this Agreement, notices and other communications provided for in the Agreement (including the Notice of Termination) shall be in writing and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, addressed to the respective addresses last given by each party to the other. All notices and communications shall be deemed to have been received on the date of personal delivery thereof or on the third business day after the mailing thereof, except that notice of change of address shall be effective only upon receipt by a designated representative of Smith & Nephew, Inc.

9. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company and for which the Executive may qualify, nor shall anything herein limit or reduce such rights as the Executive may have under any other agreements with the Company. Provided, however, that to the extent that the Executive receives benefits under this Agreement because of a Division Divestiture, he or she is not entitled to severance pay under any other severance plan, policy or arrangement of the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive

under any plan or program of the Company shall be payable in accordance with such plan or program, except as explicitly modified by this Agreement.

10. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

11. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California without giving effect to the conflicts of law principles thereof.

12. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not effect the validity or enforceability of the other provisions hereof.

SMITH & NEPHEW, INC.

By: /s/ Clifford Lomax

Clifford Lomax
Director

/s/ Peter Bray

Peter Bray

Exhibit 12.1

Earnings to Fixed Charges

DonJoy,LLC
Computation of Rate of Earnings to Fixed Charges
(dollars in thousands)

<TABLE>

	Historical					Historical		Pro Forma	Pro Forma
	Years Ended December 31,					Six Months Ended		12 Months Ended	6 Months Ended
	1994	1995	1996	1997	1998	06/27/1998	06/29/1998	12/31/1998	06/29/1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Income before income taxes	$11,943	$11,440	$ 9,483	$10,904	$8,345	$2,010	$5,819	$ (468)	$1,494
Interest	-	989	2,459	2,072	-	-	-	14,029	7,015
Amortization of Debt Issuance Costs	-	-	-	-	-	-	-	802	401
Amortization of Discount on Sr. Notes	-	-	-	-	-	-	-	200	100
1/3 of rental expense-operating leases	377	546	765	775	1,064	772	393	1,064	393
Earnings	$12,320	$12,975	$12,707	$13,751	$9,409	$2,782	$6,212	$15,627	$9,403
Interest	$ -	$ 989	$ 2,459	$ 2,072	$ -	$ -	$ -	$14,029	$7,015
Amortization of Debt Issuance Costs	-	-	-	-	-	-	-	802	401
Amortization of Discount on Sr. Notes	-	-	-	-	-	-	-	200	100
1/3 of rental expense-operating leases	377	546	765	775	1,064	772	393	1,064	393
Fixed Charges	$ 377	$ 1,535	$ 3,224	$ 2,847	$1,064	$ 772	$ 393	$16,095	$7,909
Ratio of Earnings to Fixed Charges	32.71	8.45	3.94	4.83	8.84	3.60	15.79	-	1.19

</TABLE>

EXHIBIT 21.1

Subsidiaries of DonJoy, L.L.C.

dj Orthopedics, LLC	Delaware limited liability company
DonJoy de Mexico, S.A. de C.V.	Mexican corporation

Subsidiaries of dj Orthopedics, LLC

DJ Orthopedics Capital Corporation	Delaware corporation
DonJoy de Mexico, S.A. de C.V.	Mexican corporation

Subsidiaries of DJ Orthopedics Capital Corporation

None.

EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated March 11, 1999 (except for Note 8, as to which the date is June 30, 1999) included in the Registration Statement (Form S-4) and related Prospectus of dj Orthopedics, LLC DJ Orthopedics Capital Corporation and DonJoy, L.L.C. for the registration of $100,000,000 of 12 5/8% Senior Subordinated Notes due 2009.

/s/ ERNST & YOUNG LLP

San Diego, California
September 7, 1999

FORM T-1

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE
ELIGIBILITY OF A TRUSTEE PURSUANT TO
SECTION 305(b)(2) | |

THE BANK OF NEW YORK
(Exact name of trustee as specified in its charter)

New York (State of incorporation if not a U.S. national bank)	13-5160382 (I.R.S. employer identification no.)
One Wall Street, New York, N.Y. (Address of principal executive offices)	10286 (Zip code)

DJ ORTHOPEDICS, LLC
(Exact name of obligor as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	52-2165554 (I.R.S. employer identification no.)

DJ ORTHOPEDICS CAPITAL CORPORATION
(Exact name of obligor as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	52-2157537 (I.R.S. employer identification no.)

DONJOY, L.L.C.
(Exact name of obligor as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	33-0848317 (I.R.S. employer identification no.)
2985 Scott Street Vista, California (Address of principal executive offices)	92038 (Zip code)

12-5/8% Senior Subordinated Notes due 2009
(Title of the indenture securities)

1. GENERAL INFORMATION. FURNISH THE FOLLOWING INFORMATION AS TO THE TRUSTEE:

(A) NAME AND ADDRESS OF EACH EXAMINING OR SUPERVISING AUTHORITY TO WHICH IT IS SUBJECT.

<TABLE>
<CAPTION>

Name	Address
<S>	<C>
Superintendent of Banks of the State of New York	2 Rector Street, New York, N.Y. 10006, and Albany, N.Y. 12203
Federal Reserve Bank of New York	33 Liberty Plaza, New York, N.Y. 10045
Federal Deposit Insurance Corporation	Washington, D.C. 20429
New York Clearing House Association	New York, New York 10005

</TABLE>

(B)WHETHER IT IS AUTHORIZED TO EXERCISE CORPORATE TRUST POWERS.

Yes.

2. AFFILIATIONS WITH OBLIGOR.

IF THE OBLIGOR IS AN AFFILIATE OF THE TRUSTEE, DESCRIBE EACH SUCH AFFILIATION.

None.

16. LIST OF EXHIBITS.

EXHIBITS IDENTIFIED IN PARENTHESES BELOW, ON FILE WITH THE COMMISSION, ARE INCORPORATED HEREIN BY REFERENCE AS AN EXHIBIT HERETO, PURSUANT TO RULE 7A-29 UNDER THE TRUST INDENTURE ACT OF 1939 (THE "ACT") AND 17 C.F.R. 229.10(D).

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)

7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 24th day of August, 1999.

THE BANK OF NEW YORK

By: /s/ MICHELE L. RUSSO

Name: MICHELE L. RUSSO
Title: ASSISTANT TREASURER

EXHIBIT 7

Consolidated Report of Condition of

THE BANK OF NEW YORK
of One Wall Street, New York, N.Y. 10286
And Foreign and Domestic Subsidiaries,
a member of the Federal Reserve System, at the close of business June 30, 1999, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

<TABLE>
<CAPTION>

ASSETS	Dollar Amounts In Thousands
<S>	<C>
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	$ 5,597,807
Interest-bearing balances	4,075,775
Securities:	
Held-to-maturity securities	785,167
Available-for-sale securities	4,159,891
Federal funds sold and Securities purchased under agreements to resell	2,476,963
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....38,028,772	
LESS: Allowance for loan and lease losses.....568,617	
LESS: Allocated transfer risk reserve.....16,352	
Loans and leases, net of unearned income, allowance, and reserve	37,443,803
Trading Assets	1,563,671
Premises and fixed assets (including capitalized leases)	683,587
Other real estate owned	10,995
Investments in unconsolidated subsidiaries and associated companies	184,661
Customers' liability to this bank on acceptances outstanding	812,015
Intangible assets	1,135,572
Other assets	5,607,019
Total assets	$64,536,926
LIABILITIES	
Deposits:	

In domestic offices		$26,488,980
Noninterest-bearing	10,626,811	
Interest-bearing	15,862,169	
In foreign offices, Edge and Agreement subsidiaries, and IBFs		20,655,414
Noninterest-bearing	156,471	
Interest-bearing	20,498,943	
Federal funds purchased and Securities sold under agreements to repurchase		3,729,439
Demand notes issued to the U.S.Treasury		257,860
Trading liabilities		1,987,450
Other borrowed money:		
With remaining maturity of one year or less		496,235
With remaining maturity of more than one year through three years		465
With remaining maturity of more than three years		31,080
Bank's liability on acceptances executed and outstanding		822,455
Subordinated notes and debentures		1,308,000
Other liabilities		2,846,649
Total liabilities		58,624,027
EQUITY CAPITAL		
Common stock		1,135,284
Surplus		815,314
Undivided profits and capital reserves		4,001,767
Net unrealized holding gains (losses) on available-for-sale securities		(7,956)
Cumulative foreign currency translation adjustments		(31,510)
Total equity capital		5,912,899
Total liabilities and equity capital		$64,536,926

</TABLE>

I, Thomas J. Mastro, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Thomas J. Mastro

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

Thomas A. Reyni }
Alan R. Griffith } Directors
Gerald L. Hassell }

<TABLE> <S> <C>

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This Schedule contains summary financial information extracted from the balance sheet as of December 31, 1998 and June 29, 1999 and the statements of income for the year ended December 31, 1998 and the six months ended June 29, 1999 and is qualified in its entirety by reference to such financial statements.
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