

PATENT ASSIGNMENT

Electronic Version v1.1

Stylesheet Version v1.1

SUBMISSION TYPE:

NEW ASSIGNMENT

NATURE OF CONVEYANCE:

RELEASE BY SECURED PARTY

CONVEYING PARTY DATA

Name	Execution Date
Davis Wright Tremaine LLP	05/19/2007

RECEIVING PARTY DATA

Name:	Healing Machines, Inc.
Street Address:	11632 Westar Lane
City:	Burlington
State/Country:	WASHINGTON
Postal Code:	98233

PROPERTY NUMBERS Total: 5

Property Type	Number
Application Number:	10463197
Application Number:	09991129
Application Number:	10171821
Patent Number:	5908444
Patent Number:	6217604

CORRESPONDENCE DATA

Fax Number: (206)464-0484  
*Correspondence will be sent via US Mail when the fax attempt is unsuccessful.*  
Phone: 206-386-5916  
Email: dnitz@vjgseattle.com  
Correspondent Name: Daren Nitz  
Address Line 1: 600 University Street  
Address Line 2: Suite 2424  
Address Line 4: Seattle, WASHINGTON 98101

NAME OF SUBMITTER:

Daren Nitz

OP \$200.00 10463197

PATENT

500295056

REEL: 019419 FRAME: 0297

**Total Attachments: 21**

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## SETTLEMENT AGREEMENT

**1. Parties.** The parties to this Agreement are Healing Machines, Inc. ("Rejuvenetics") and Davis Wright Tremaine LLP ("DWT").

**2. Background.** DWT is a law firm. Rejuvenetics is a former client of DWT. On or about November 17, 2004, Rejuvenetics executed a Promissory Note and a Security Agreement in favor of DWT. The Promissory Note and Security Agreement purport to reflect a debt owed DWT by Rejuvenetics for charges for legal services. DWT and Rejuvenetics are entering into this agreement in order to compromise and fully satisfy all of Rejuvenetics' obligations to DWT, and to terminate any and all claims, rights or causes of action by the respective parties against each other.

**3. Agreement.**

**a. Payment and waiver of defenses.** Rejuvenetics agrees to pay DWT THIRTY THOUSAND DOLLARS (\$30,000.00) concurrent with the execution of this Agreement.

**b. Waiver of defenses.** Rejuvenetics hereby waives any defenses it has to DWT's right to collect the \$30,000.00 referenced in subparagraph 3(a) above.

**c. Releases.** DWT hereby releases Rejuvenetics and its officers, directors, affiliates, agents and assigns from any and all claims of any nature and type whatsoever, including, but not limited to: a) claims for compensation for legal services or associated costs and expenses; and b) any claims or obligations pursuant to the Promissory Note or the Security Agreement. Rejuvenetics hereby releases DWT and its officers, directors, partners, employees, affiliates, agents and assigns from any and all claims of any nature and type whatsoever, including, but not limited to claims arising out of DWT's provision of legal services.

**d. Return of Promissory Note and Security Agreement.** DWT agrees to stamp the original Promissory Note "Fully Paid", and stamp the original Security Agreement "Released", and return both original documents to Rejuvenetics concurrently with the execution of this Agreement.

**e. Termination of Security Interests.** DWT hereby agrees to assist Rejuvenetics, at Rejuvenetics' request and expense, in filing all documents and taking all other steps reasonably necessary to release and terminate any and all security interests DWT may have in any asset of Rejuvenetics, including, but not limited to, any and all rights DWT obtained by virtue of the Security Agreement.

**f. Legal Advice.** DWT has not provided any legal advice to Rejuvenetics in connection with this Agreement. Rejuvenetics acknowledges its right to seek legal counsel in connection with this Agreement.

Agreed and accepted:

DAVIS WRIGHT TREMAINE

By 

Its Partner, Chair, QAC

Date 5/1/07

HEALING MACHINES, INC.

By 

Its Vice President

Date 4/18/07

PAID

3-23-07

59194-10

PROMISSORY NOTE

\$63,000

November 17, 2004  
Seattle, Washington

FOR VALUE RECEIVED, the undersigned, HEALING MACHINES, INC., a Delaware corporation (the "Maker"), hereby promises to pay to the order of DAVIS WRIGHT TREMAINE LLP, a Washington limited liability partnership (together with its successors and assigns, the "Creditor") the Principal Amount of Sixty Three Thousand Dollars (\$63,000) as hereinafter provided.

1. Acknowledgment of Amount Owning. The Maker acknowledges and agrees that the principal amount of Sixty Three Thousand Dollars (\$63,000) represents an undisputed amount that is due and owing now for legal services the Creditor provided to the Maker and for associated costs and expenses through April 30, 2004. The Maker acknowledges that it has no dispute with the Creditor concerning the services provided or any claims based on those services. The Maker further acknowledges that for disclosure and usury purposes, the legal services provided to the Maker were for business or commercial purposes and not primarily for personal, family or household purposes.

2. Interest. None; provided, however, that after the occurrence of an Event of Default (as defined in the Security Agreement), interest shall accrue at twelve percent (12%) per annum. Notwithstanding anything herein to the contrary, interest shall not accrue at a rate in excess of the maximum rate permitted by applicable law.

3. Payment Agreement. The Maker shall make scheduled payments of principal on the indebtedness evidenced by this Note in consecutive monthly installments commencing on November 15, 2004 and continuing on the fifteenth day of each month thereafter in the amount of Two Thousand (\$2,000) until the balance is paid. It is understood that the Maker will make every effort to increase the monthly payment amount to retire the debt as soon as possible. It is acknowledged by the Creditor that the initial payment due November 15, 2004 has been made by the Maker.

4. Incentives.

- No interest will be charged so long as no Event of Default shall have occurred.
- Four Thousand Five Hundred Dollar (\$4,500) discount if payments in the amount of Thirty-four Thousand Five Hundred Dollars (\$34,500) are indefeasibly paid to the Creditor by November 15, 2006.

5. Security Agreement. This Note is made in connection with that certain Security Agreement dated November 17, 2004 made by the Maker in favor of the Creditor (as amended, the "Security Agreement"). Capitalized terms not defined herein have the meanings set forth in the Security Agreement.

6. Acceleration Clause. The Maker agrees that (a) if any of the Events of Default described in Section 8.4 or Section 8.5 of the Security Agreement shall occur, the unpaid principal amount of the indebtedness evidenced by this Note, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder, shall be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Maker and (b) if any other Event of Default shall occur, then in any such case and at any time thereafter the Creditor may declare the unpaid principal amount of the indebtedness evidenced by this Note, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder, to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Maker.

8. Waivers. Each maker, surety, guarantor and endorser of this Note expressly waives all notices, demands for payment, presentations for payment, notices of intention to accelerate the maturity, protest and notice of protest.

9. Late/Collection Charges: In the event this Note is placed in the hands of an attorney for collection, or suit is brought on the same, or the same is collected through bankruptcy or other judicial proceedings, the Maker agrees and promises to pay all attorneys' fees and collection costs, including all out-of-pocket expenses and the allocated costs and disbursements of internal counsel, incurred by the Creditor.

10. Governing Law; Jurisdiction. This Note has been executed and delivered in and shall be governed by and construed in accordance with the laws of the State of Washington (excluding its conflict of laws rules). The Maker hereby irrevocably submits to the jurisdiction of any state or federal court sitting in Seattle, King County, Washington, in any action or proceeding brought to enforce or otherwise arising out of or relating to this Note and hereby waives any objection to venue in any such court and any claim that such forum is an inconvenient forum.

11. Notices. All notices and other communications provided for in this Note shall be in writing and shall be mailed (with first class postage prepaid) or sent or delivered to each party by facsimile or courier service at the address or facsimile number set forth below its signature on the signature page hereof or at such other address as shall be designated by such party in a written notice to the other party.

12. Integration. This Note, together with the Security Agreement, comprises the complete, final and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter.

**ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**

The signature of Maker below means the Maker agrees to the above terms and that the Maker acknowledges receiving a copy of this Note before signing it.

MAKER:

Healing Machines, Inc., a  
Delaware Corporation

By 

Name: Leo L. Azure, Jr.  
Title: President

Address:

11632 Westar Lane  
Burlington, WA 98233

CREDITOR:

Davis Wright Tremaine, LLP, a  
Washington limited liability partnership

By 

Name: Gus Kringen  
Title: Collection Supervisor

Address:

2600 Century Square  
1501 Fourth Avenue  
Seattle, Washington 98101

PAID 3-23-07

SECURITY AGREEMENT

This SECURITY AGREEMENT ("Agreement") is entered into as of November 17, 2004, is made by HEALING MACHINES, INC., a Delaware Corporation (the "Debtor"), in favor of DAVIS WRIGHT TREMAINE LLP, a Washington limited liability partnership (together with its successors and assigns, the "Secured Party").

R E C I T A L S:

WHEREAS, the Debtor is obligated to the Secured Party for the payment legal services provided to the Debtor by the Secured Party, which payment obligations are evidenced by a Promissory Note dated as of November 17, 2004 (as amended, restated, supplemented or otherwise modified, the "Promissory Note") made by the Debtor in favor of the Secured Party in the initial principal amount of Sixty Three Thousand Dollars (\$63,000.00).

WHEREAS, it is a condition to the agreement of the Secured Party to permit the Debtor to pay for legal services provided to the Debtor by the Secured Party that the Debtor enter into this Agreement and grant to the Secured Party the security interests hereinafter provided to secure the obligations of the Debtor described below.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration receipt of which is hereby acknowledged, the Debtor hereby agrees as follows:

1.0 DEFINITIONS; INTERPRETATION.

1.1 DEFINITIONS. As used in this Agreement, the following terms shall have the following meanings:

"Collateral" shall have the meaning assigned to such term in Section 2.1.

"Debtor" has the meaning set forth in the introductory paragraph hereto.

"Event of Default" shall have the meaning assigned to such term in Section 8.

"Patent License" shall mean any written agreement, now in effect, granting to any third party any right to make, use or sell any invention on which a Patent now owned by the Debtor is in existence, including those listed in Part (c) of Schedule 1 hereto, and all rights of the Debtor under any such agreement.

"Patents" shall mean any and all of the following that are now owned by the Debtor: (i) all letters patent of the United States or any other country or any political subdivision thereof, all registrations and recordings thereof, including those listed in Part (a) of Schedule 1 hereto, (ii) the application for letters patent of the United States listed in Part (b) of Schedule 1 hereto and (iii) all reissues, continuations, divisions, continuations-inpart, renewals or extensions thereof, and the inventions disclosed or claimed therein, including the right to make, use and/or sell the inventions disclosed or claimed therein.



"Promissory Note" has the meaning set forth in the preamble hereto.

"Secured Obligations" means, collectively (i) all debts, liabilities, obligations, covenants and duties of the Debtor arising under or in connection with the the Promissory Note and/or this Agreement, in each case whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against the Debtor of any proceeding under any bankruptcy or other proceeding under any bankruptcy, insolvency or similar law affecting the rights of creditors naming the Debtor as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

"Secured Party" has the meaning set forth in the introductory paragraph hereto.

"UCC" means the Uniform Commercial Code as the same may, from time to time, be in effect in the State of Washington.

1.2 INTERPRETATION. Definitions given in this Agreement shall be equally applicable to both singular and plural forms of the terms therein defined and references herein to "he" or "it" shall be applicable to persons whether masculine, feminine or neuter. References herein to any document including, without limitation, this Agreement shall be deemed a reference to such document as it now exists, and as, from time to time hereafter, the same may be amended. The term "including" is not limiting and means "including without limitation." References herein to any section, subsection, Schedule or Annex shall, unless otherwise indicated, be deemed a reference to sections and subsections within and Schedules and Annexes to this Agreement.

## 2.0 SECURITY INTEREST.

2.1 GRANT OF SECURITY INTEREST. As security for the payment or performance, as the case may be, in full of the Secured Obligations, the Debtor hereby assigns and pledges to the Secured Party and hereby grants to the Secured Party a security interest in all right, title or interest of the Debtor in or to any and all of the following assets and properties that are now owned by the Debtor or in which the Debtor now has any right, title or interest (collectively, the "Collateral"):

- (a) all Patents;
- (b) all Patent Licenses;
- (c) all books and records pertaining to the assets and properties described in this Section 2.1; and
- (d) to the extent not otherwise included, all proceeds of any and all of the foregoing.

2.2 DEBTOR REMAINS LIABLE. Anything herein to the contrary notwithstanding, (a) the Debtor shall remain liable under any contracts, agreements and other documents included in the Collateral, to the extent set forth therein, to perform all of its duties

and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Secured Party of any of the rights hereunder shall not release the Debtor from any of its duties or obligations under such contracts, agreements and other documents included in the Collateral, and (c) the Secured Party shall have no obligation or liability under any contracts, agreements and other documents included in the Collateral by reason of this Agreement, nor shall the Secured Party be obligated to perform any of the obligations or duties of the Debtor thereunder or to take any action to collect or enforce any such contract, agreement or other document included in the Collateral hereunder.

2.3 CONTINUING SECURITY INTEREST. The Debtor acknowledges and agrees that the security interest of the Secured Party in the Collateral (a) constitutes continuing collateral security for all of the Secured Obligations which shall remain in effect until terminated in accordance with Section 20 and (b) except as provided in Section 9, is not to be construed as an assignment of any Patent or Patent License.

3.0 FINANCING STATEMENTS, ETC. The Debtor hereby irrevocably authorizes the Secured Party at any time and from time to time to file in any relevant jurisdiction any initial financing statements and amendments thereto that contain the information required by Article 9A of the UCC of each applicable jurisdiction for the filing of any financing statement or amendment, including whether the Debtor is an organization, the type of organization and any organizational identification number issued to the Debtor. The Debtor also ratifies its authorization for the Secured Party to file in any relevant jurisdiction any initial financing statements or amendments thereto if filed prior to the date hereof. The Secured Party is further authorized to file 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) such other documents as may be necessary or advisable for the purpose of perfecting, confirming, continuing, enforcing or protecting the security interest of the Secured Party in the Collateral, without the signature of the Debtor, and naming the Debtor as debtor and the Secured Party as secured party.

4.0 REPRESENTATIONS AND WARRANTIES. The Debtor represents and warrants to the Secured Party that:

4.1 LEGAL NAME; STATE OF ORGANIZATION. The Debtor's chief executive office and chief place of business are (and for the prior four months has been) located at **11632 Westar Lane, Burlington, WA 98233**, and the Debtor keeps its books and records at such location. The Debtor's exact corporate name is **Healing Machines, Inc.**, the jurisdiction of its incorporation is **Delaware** and the identification number given by its jurisdiction of incorporation is **2646918**. The Debtor has not in the past four months changed its name, been party to a merger, consolidation or other change in structure or used any trade name other than **Rejuvenetics**.

4.2 OWNERSHIP AND AUTHORITY. The Debtor is the sole legal and beneficial owner of the Collateral and has the right, power and authority to grant to the Secured Party the security interest in such Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Agreement. The Debtor is not a party to any material license or any material lease that contains legally enforceable restrictions on the granting of a security interest therein.

4.3 ABSENCE OF OTHER LIENS. The Debtor has not filed or consented to the filing of (a) any financing statement or analogous document under the UCC or any other applicable Laws covering any Collateral, (b) any assignment in which the Debtor assigns any Collateral or any security agreement or similar instrument covering any Collateral with the United States Patent and Trademark Office or (c) any assignment in which the Debtor assigns any Collateral or any security agreement or similar instrument covering any Collateral with any governmental authority, which financing statement or analogous document, assignment, security agreement or similar instrument is still in effect.

4.4 PATENTS; PATENT LICENSES.

(a) Schedule 1 hereto includes all Patents owned by the Debtor as of the date hereof.

(b) Except as set forth in Schedule 1 hereto, none of the Patents of the Debtor is the subject of any licensing agreement.

(c) No holding, decision or judgment has been rendered by any governmental authority which would limit, cancel or question the validity of any Patent or Patent License of the Debtor.

(d) No action or proceeding is pending seeking to limit, cancel or question the validity of Patent or Patent License of the Debtor, or which, if adversely determined, would have a material adverse effect on the value of any such Patent or Patent License.

(e) All applications pertaining to the Patents of the Debtor have been duly and properly filed, and all registrations or letters pertaining to such Patents have been duly and properly filed and issued, and all of such Patents are valid and enforceable.

(f) The Debtor has not made any assignment or agreement in conflict with the security interest of the Secured Party in Collateral consisting of Patents and/or Patent Licenses.

5.0 COVENANTS. Until this Agreement is terminated in accordance with Section 20, the Debtor shall:

5.1 PRESERVATION OF EXISTENCE. At its own cost and expense (a) preserve, renew and maintain in full force and effect its legal existence and good standing under the laws of the jurisdiction of its incorporation and (b) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business.

5.2 CHANGE OF NAME, IDENTITY OR STRUCTURE. Promptly notify the Secured Party in writing of any change (a) in its corporate or organization name, (b) in the location of its chief executive office, its principal place of business, any office in which it maintains books or records relating to the Collateral, (c) in its identity, type of organization, corporate structure or jurisdiction of incorporation or organization or (d) in its Federal Taxpayer Identification Number or other identification number given by its jurisdiction of incorporation or

organization, and not to effect or permit any change referred to in clauses (a) through (d) unless all filings have been made under the UCC or otherwise that are required in order for the Secured Party to continue at all times following such change to have a valid, legal and perfected first priority security interest in all the Collateral.

5.3 DEFENSE OF COLLATERAL. At its own cost and expense, take any and all actions necessary to defend title to the Collateral against all persons and entities and to defend the security interest of the Secured Party in the Collateral and the priority thereof against any other lien, security interest or other encumbrance.

5.4 MAINTENANCE OF RECORDS. 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 the Debtor is engaged, but in any event to include complete accounting records indicating all payments and proceeds received with respect to any part of the Collateral.

5.5 DISPOSITION OF COLLATERAL. Not make or permit to be made any sale or transfer of any of the Collateral and shall remain at all times in possession of the Collateral.

5.6 NO LIENS. Not make or permit to be made an assignment, pledge or hypothecation of any of the Collateral or create or permit to exist any Lien upon or with respect to any of the Collateral.

5.7 TAXES. Pay promptly when due all taxes and other governmental charges, all liens and all other charges now or hereafter imposed upon, relating to or affecting any of the Collateral.

5.8 PATENTS; PATENT LICENSES.

(a) Not do any act, or omit to do any act, whereby any Patent may expire or lapse or become abandoned or dedicated or cancelled short of its maximum possible term.

(b) Promptly notify the Secured Party if it knows, or has reason to know, that any application or registration relating to any Patent may become abandoned or dedicated, 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 or any court or tribunal in any country) regarding the Debtor's ownership of any such Patent or its right to register the same or to keep, maintain and use the same.

(c) Take all reasonable and necessary steps, including, in any proceeding before the United States Patent and Trademark Office, or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application, to obtain the relevant registration and to maintain each registration of the Patents, which the Debtor reasonably determines is necessary or desirable for the conduct

of its business, including filing of applications for renewal, affidavits of use and affidavits of incontestability.

(d) Promptly after learning thereof, notify the Secured Party that any Patent is infringed, misappropriated or diluted by a third party and, if such Patent is necessary or desirable for the conduct of the Debtor's business, then promptly sue for infringement, misappropriation or dilution, to seek injunctive relief where appropriate and to recover any and all damages for such infringement, misappropriation or dilution, or take such other actions as it shall reasonably deem appropriate under the circumstances to protect such Patent.

(e) Promptly after learning thereof, notify the Secured Party of any material claim made or asserted against any Patent or Patent License.

(f) Except for licenses to third parties in the ordinary course of business, not make any assignment or agreement in conflict with the security interest of the Secured Party in the Patents of the Debtor.

6.0 FURTHER ASSURANCES. The Debtor 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 Secured Party may from time to time request to better assure, preserve, protect and perfect the protecting the security interest of the Secured Party in the Collateral and the rights and remedies of the Secured Party hereunder, 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 to the Secured Party hereunder and the filing of any financing statements or other documents in connection herewith or therewith.

## 7.0 RIGHTS OF SECURED PARTY.

7.1 POWER OF ATTORNEY. The Debtor hereby appoints the Secured Party the attorney-in-fact of the Debtor, effective 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 Secured Party may deem necessary or advisable to accomplish the purposes hereof. The foregoing power of attorney is coupled with an interest and irrevocable until this Agreement is terminated in accordance with Section 20. The Debtor hereby ratifies, to the fullest extent permitted by applicable laws, all that the Secured Party shall lawfully and in good faith do or cause to be done by virtue of and in compliance with this Section 7.1.

7.2 PERFORMANCE OF DEBTOR OBLIGATIONS. The Secured Party may perform or pay any obligation which the Debtor has agreed to perform or pay, but has failed to timely perform or pay, under or in connection with this Agreement, and the Debtor shall reimburse the Secured Party on demand for any amounts paid by the Secured Party pursuant to this Section 7.2.

7.3 SECURED PARTY'S DUTIES. Notwithstanding any provision contained in this Agreement, the Secured Party shall have no duty to exercise any of the rights,

privileges or powers afforded to it and shall not be responsible to the Debtor or any other person or entity for any failure to do so or delay in doing so.

8.0 EVENTS OF DEFAULT. The occurrence of any of the following events shall constitute an "Event of Default":

8.1 PAYMENT DEFAULT. The Debtor fails to pay when due any amount payable under the Promissory Note and/or this Agreement and such payment continues unpaid for a period of fifteen (15) days after the date upon which written notice thereof shall have been given to the Debtor by the Secured Party.

8.2 BREACH OF WARRANTY. Any representation or warranty made or deemed made by the Debtor under or in connection with the Promissory Note and/or this Agreement shall prove to have been incorrect in any material respect when made or deemed made; or

8.3 BREACH OF COVENANTS. The Debtor shall fail to perform or observe any covenant, obligation or term of the Promissory Note and/or this Agreement and such failure shall continue unremedied for a period of thirty (30) days after the earlier of (a) the date upon which written notice thereof shall have been given to the Debtor by the Secured Party or (b) the date upon which an officer or director of the Debtor knew or reasonably should have known of such failure; or

8.4 VOLUNTARY BANKRUPTCY, ETC. The Debtor shall: (a) file a petition seeking relief for itself under Title 11 of the United States Code, as now constituted or hereafter amended, or file an answer consenting to, admitting the material allegations of or otherwise not controverting, or fail timely to controvert a petition filed against it seeking relief under Title 11 of the United State Code, as now constituted or hereafter amended; or (b) file such petition or answer with respect to relief under the provisions of any other now existing or future applicable bankruptcy, insolvency, or other similar law of the United States of America or any State thereof or of any other country or jurisdiction providing for the reorganization, winding-up or liquidation of corporations or an arrangement, composition, extension or adjustment with creditors; or

8.5 INVOLUNTARY BANKRUPTCY, ETC. An order for relief shall be entered against the Debtor under Title 11 of the United States Code, as now constituted or hereafter amended, which order is not stayed; or upon the entry of an order, judgment or decree by operation of law or by a court having jurisdiction in the premises which is not stayed adjudging it a bankrupt or insolvent under, or ordering relief against it under, or approving as properly filed a petition seeking relief against it under the provisions of any other now existing or future applicable bankruptcy, insolvency or other similar law of the United States of America or any State thereof or of any other country or jurisdiction providing for the reorganization, winding-up or liquidation of corporations or any arrangement, composition, extension or adjustment with creditors; or appointing a receiver, liquidator, assignee, sequestrator, trustee or custodian of the Debtor or of any substantial part of any of its property, or ordering the reorganization, winding-up or liquidation of any of their affairs; or upon the expiration of sixty (60) days after the filing of any involuntary petition against the Debtor seeking any of the relief

specified in Section 8.4 or this Section 8.5 without the petition being dismissed prior to that time;  
or

8.6 INSOLVENCY, ETC. The Debtor shall (a) make a general assignment for the benefit of its creditors or (b) consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, or custodian of all or a substantial part of the property of the Debtor, or (c) admit its insolvency or inability to pay its debts generally as they become due, or (d) fail generally to pay its debts as they become due, or (e) take any action (or suffer any action to be taken by its directors or shareholders) looking to the dissolution or liquidation of the Debtor.

## 9.0 REMEDIES.

9.1 ACCELERATION. The Debtor agrees that (a) if any of the Events of Default described in Section 8.4 or Section 8.5 shall occur, the unpaid principal amount of all Secured Obligations, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under the Promissory Note to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Debtor and (b) if any other Event of Default shall occur, then in any such case and at any time thereafter the Secured Party may declare the unpaid principal amount of all Secured Obligations, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under the Promissory Note to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Debtor.

9.2 GENERAL REMEDIES. Upon the occurrence of any Event of Default and at all times thereafter, the Secured Party shall have, in addition to all other rights and remedies granted to it in this Agreement and the Promissory Note, all rights and remedies of a secured party under the UCC and other applicable laws. Without limiting the generality of the foregoing, the Debtor agrees that the Secured Party may:

(a) require the Debtor to assemble all or any part of the Collateral and make it available to the Secured Party at any place and time designated by the Secured Party;

(b) peaceably and without notice enter any premises of the Debtor, take possession of any of the Collateral, remove or dispose of all or part of the Collateral on any premises or elsewhere, and otherwise collect, receive, appropriate and realize upon all or any part of the Collateral, and demand, give receipt for, settle, renew, extend, exchange, compromise, adjust, or sue for all or any part of the Collateral, as the Secured Party may determine;

(c) cause the security interest of the Secured Party in Collateral consisting of Patents and Patent Licenses to become an assignment, transfer and conveyance of any or all such Collateral by the Debtor to the Secured Party, 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 Secured Party shall determine (other than in violation of any then existing licensing arrangements to the extent that waivers cannot be obtained);

(d) secure the appointment of a receiver of the Collateral or any part thereof to the extent and in the manner provided by applicable laws;

(e) sell, resell, lease, use, assign, transfer or otherwise dispose of any or all of the Collateral at public or private sale, by one or more contracts, in one or more parcels, at the same or different times, for cash or credit, or for future delivery without assumption of any credit risk, all as the Secured Party deems advisable; provided, however, that the Debtor shall be credited with the net proceeds of sale only when such proceeds are finally collected by the Secured Party.

9.3 SALE OF COLLATERAL. Each purchaser at any sale pursuant to this Agreement shall hold the property sold absolutely, free from any claim or right on the part of the Debtor, and the Debtor hereby waives, to the fullest extent permitted by applicable laws, all rights of redemption, stay and appraisal which the Debtor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. Neither the Secured Party's compliance with the UCC or any other applicable requirement of law, in the conduct of any sale made pursuant to this Agreement, nor its disclaimer of any warranties relating to the Collateral, shall be considered to adversely affect the commercial reasonableness of such sale. The Secured Party shall give the Debtor 10 days' written notice (which the Debtor agrees is reasonable notice within the meaning of Section 9A-612 of the UCC) of the Secured Party's intention to make any sale of Collateral. The Secured Party 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 Secured Party 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. To the fullest extent permitted by applicable laws, the Secured Party may bid for or purchase 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 the Secured Party from the Debtor as a credit against the purchase price and the Secured Party may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to the Debtor therefor. To the fullest extent permitted by applicable Laws, any sale pursuant to the provisions of this subsection (b) shall be deemed to conform to the commercially reasonable standards as provided in Section 9A-610(b) of the UCC.

9.4 LICENSE. For the purpose of enabling the Secured Party to exercise its rights and remedies under this Section or otherwise in connection with this Agreement, the Debtor hereby grants to the Secured Party an irrevocable, non exclusive license (exercisable without payment of royalty or other compensation to the Debtor) to use, license or sub-license any of the Collateral now owned by the Debtor, 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 Secured Party shall be exercised, at the option of the Secured Party, solely 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 Secured



Party in accordance herewith shall be binding upon the Debtor notwithstanding any subsequent cure of such Event of Default.

9.5 RETENTION OF COLLATERAL. The Secured Party may, after providing the notices required by Section 9A-620(a) of the UCC (or any successor sections of the UCC) or otherwise complying with any requirement of applicable Laws, accept or retain the Collateral or any part thereof in satisfaction of the Secured Obligations. Unless and until the Secured Party shall have provided such notices, however, the Secured Party shall not be deemed to have retained any Collateral in satisfaction of any Secured Obligations for any reason.

9.6 DUTY OF CARE. Except for the exercise of reasonable care in the custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Secured Party shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which the Secured Party accords its own property. Neither the Secured Party nor any of its affiliates, partners, officers, employees, counsel, agents and attorneys-in-fact shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of the Debtor or otherwise.

10.0 CERTAIN WAIVERS. The Debtor waives, to the fullest extent permitted by applicable laws, (a) any right of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling of the Collateral or other collateral or security for the Secured Obligations; (b) any right to require the Secured Party (i) to proceed against any person or entity, (ii) to exhaust any other collateral or security for any of the Secured Obligations, (iii) to pursue any remedy in the Secured Party's power, or (iv) to make or give any presentments, demands for performance, notices of nonperformance, protests, notices of protests or notices of dishonor in connection with any of the Collateral; and (c) all claims, damages, and demands against the Secured Party arising out of the repossession, retention, sale or application of the proceeds of any sale of the Collateral.

11.0 NOTICES. All notices and other communications provided for in this Agreement shall be in writing and shall be mailed (with first class postage prepaid) or sent or delivered to each party by facsimile or courier service at the address or facsimile number set forth below or at such other address as shall be designated by such party in a written notice to the other party.

If to Debtor: Healing Machines, Inc.  
11632 Westar Lane, Burlington, WA 98233

Attn: Leo L. Azure, Jr

Facsimile: (360) 757-7995

If to Secured Party: Davis Wright Tremaine LLP  
2600 Century Square  
1501 Fourth Avenue

Seattle, Washington 98101  
Attn: Gus Kringen  
Facsimile: (206) 628-7699

All notices sent by mail, if duly given, shall be effective three (3) business days after deposit into the mails, all notices sent by a nationally recognized courier service, if duly given, shall be effective one (1) business day after delivery to such courier service, and all other notices and communications if duly given or made shall be effective upon receipt.

12.0 NO WAIVER; CUMULATIVE REMEDIES. No failure by the Secured Party to exercise, and no delay in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. No waiver of any single breach or default under this Agreement shall be deemed a waiver of any other breach or default. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges that may otherwise be available to the Secured Party. Any single or partial exercise of any right or remedy shall not preclude the further exercise thereof or the exercise of any other right or remedy.

13.0 COSTS AND EXPENSES. The Debtor agrees to pay upon demand to the Secured Party the amount of any and all fees, costs or out-of-pocket expenses (including allocated in-house attorney costs) incurred by the Secured Party in connection with (a) the exercise, enforcement or protection of any of the rights of the Secured Party under this Agreement (including all such costs and expenses incurred during any "workout" or restructuring in respect of the Secured Obligations and during any legal proceeding, including any proceeding under any bankruptcy, insolvency or similar law affecting the rights of creditors) or (b) the failure of the Debtor to perform or observe any its obligations under this Agreement. All amounts due under this Section 13 shall be payable within ten (10) days of written demand therefor. If any amount payable by the Debtor under this Agreement is not paid when due, such amount shall (i) thereafter bear interest at twelve percent (12%) per annum to the fullest extent permitted by applicable laws and (ii) be additional Secured Obligations secured hereby and by the other Collateral Documents.

14.0 SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Debtor may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Secured Party (and any attempted assignment or transfer by the Debtor without such consent shall be null and void).

15.0 GOVERNING LAW. This agreement shall be governed by, and construed in accordance with, the law of the State of Washington (excluding its conflicts of laws rules), except to the extent the validity or perfection of the security interests hereunder, or the remedies hereunder, in respect of any Collateral are governed by the law of a jurisdiction other than the State of Washington; provided that the Secured Party shall retain all rights under Federal law.

16.0 AMENDMENTS, ETC. No amendment or waiver of any provision of this Agreement, and no consent to any departure by the Debtor therefrom, shall be effective unless in writing signed by the Debtor and the Secured Party and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

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

18.0 INTEGRATION. This Agreement, together with the Promissory Note, comprises the complete, final and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter.

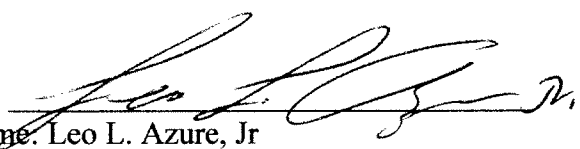
19.0 SEVERABILITY. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

20.0 TERMINATION. This Agreement and the security interest of the Secured Party in the Collateral shall terminate when all of the Secured Obligations shall have been finally and indefeasibly paid in full; provided, however, that the obligations of the Debtor under Section 13 shall survive such termination. The Debtor shall have no authority to file termination, release or other amendments to financing statements without specific written authorization from the Secured Party.

IN WITNESS WHEREOF, the Debtor has caused this Agreement to be duly executed as of the date first above written.

DEBTOR:

HEALING MACHINES, INC., a  
Delaware Corporation

By:   
Name: Leo L. Azure, Jr.  
Title: President

Acknowledged and Accepted:

DAVIS WRIGHT TREMAINE LLP,  
Secured Party

By: \_\_\_\_\_  
Name: Gus Kringen  
Title: Collection Supervisor

SCHEDULE 1

PATENTS AND PATENT LICENSES

Part (a). Letters patent.

U.S. Patent No. 5,908,444

U.S. Patent No. 6,217,604

Part (b). Applications for letters patent.

U.S. Patent Application No. 09/991,129, filed November 14, 2001, entitled  
“System and Method for Light Activation of Healing Mechanisms”

U.S. Patent Application No. 10/171,821, filed June 14, 2002, entitled “Apparatus  
and Method for Physiological Treatment with Electromagnetic Energy”

U.S. Patent Application No. 10/463,197, filed June 16, 2003, entitled  
“Physiological Treatment with Electromagnetic Energy”

Part (c). Patent licenses.

None

ANNEX 1

NOTICE  
OF  
GRANT OF SECURITY INTEREST  
IN  
PATENTS

United States Patent and Trademark Office

Gentlemen:

Please be advised that pursuant to the Security Agreement dated as of November \_\_, 2004 (as amended, restated, modified, renewed, supplemented or extended from time to time, the "Security Agreement") made by Healing Machines, Inc., a Delaware Corporation (the "Debtor"), in favor of Davis Wright Tremaine LLP, a Washington limited liability partnership (the "Secured Party"), the undersigned Debtor has granted a continuing security interest in and continuing lien upon, the patents and patent applications shown below to the Secured Party:

PATENTS

<u>Patent No.</u>	<u>Description of Patent</u>	<u>Date of Patent</u>
5,908,444		
6,217,604		

PATENT APPLICATIONS

<u>Patent Application No.</u>	<u>Description of Patent applied For</u>	<u>Date of Patent Application</u>
09/991,129	"System and Method for Light Activation of Healing Mechanisms"	November 14, 2001
10/171,821	"Apparatus and Method for Physiological Treatment with Electromagnetic Energy"	June 14, 2002
10/463,197	"Physiological Treatment with Electromagnetic Energy"	June 16, 2003

The Debtor and the Secured Party hereby acknowledge and agree that the security interest in the foregoing patents and patent applications (i) may only be terminated in accordance with the terms of the Security Agreement and (ii) is not to be construed as an assignment of any patent or patent application.

Very truly yours,

HEALING MACHINES, INC., a  
Delaware Corporation

By: [Signature]  
Name: Leo L Azure, Jr  
Title: President

Acknowledged and Accepted:

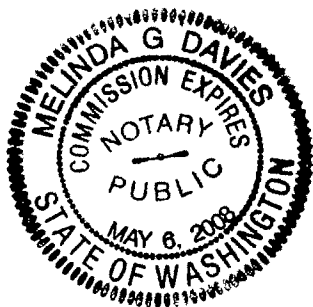
DAVIS WRIGHT TREMAINE LLP,  
Secured Party

By: [Signature]  
Name: Gus Kringen  
Title: Collection Supervisor

STATE OF WASHINGTON     )  
  ) ss.  
COUNTY OF ~~KING~~ Skagit     )

On this 3<sup>rd</sup> day of December, 2004, before me, a Notary Public in and for the State of Washington, personally appeared Leo L. Azure, Jr., personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that he/she was authorized to execute the instrument, and acknowledged it as the President of HEALING MACHINES, INC., a Delaware Corporation, to be the free and voluntary act and deed of said corporation for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.



[Signature]  
NOTARY PUBLIC in and for the State of  
Washington, residing at Burlington  
My appointment expires 5/6/08

STATE OF WASHINGTON     )  
  ) ss.  
COUNTY OF KING         )

On this 17 day of Nov, 2004, before me, a Notary Public in and for the State of Washington, personally appeared GUS KRUGER, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that he/she was authorized to execute the instrument, and acknowledged it as the Marilyn L. Lukens of DAVIS WRIGHT TREMAINE LLP, a Washington limited liability partnership, to be the free and voluntary act and deed of said limited liability partnership for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

Marilyn L. Lukens  
NOTARY PUBLIC in and for the State of  
Washington, residing at Spokane  
My appointment expires 8-9-06

