

PATENT ASSIGNMENT

Electronic Version v1.1

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SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	SECURITY AGREEMENT
CONVEYING PARTY DATA	
Name	Execution Date
STEVEN MICHAEL BERG	02/05/2009
RECEIVING PARTY DATA	
Name:	MICHAEL BERG
Street Address:	234 WEST SUMNER AVENUE
City:	SPOKANE
State/Country:	WASHINGTON
Postal Code:	99204
Name:	VIRGINIA BERG
Street Address:	234 WEST SUMNER AVENUE
City:	SPOKANE
State/Country:	WASHINGTON
Postal Code:	99204
PROPERTY NUMBERS Total: 1	
Property Type	Number
Patent Number:	6817872
CORRESPONDENCE DATA	
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**PATENT
REEL: 022214 FRAME: 0132**

NAME OF SUBMITTER:

Debbie A. Palm

Total Attachments: 11

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SECURITY AGREEMENT

THIS SECURITY AGREEMENT ("Agreement") is made and entered into as of February 5, 2009, by WrenchRat, Inc., a Washington corporation, and Steven M. Berg (hereinafter singly, collectively, jointly and severally referred to as "Debtor") for the benefit of Michael Berg and Virginia Berg, husband and wife (hereinafter referred to as "Lender").

RECITALS:

A. Debtor has executed a Promissory Note in favor of Lender of even date herewith (together with all supplements, modifications and amendments thereto, hereinafter referred to as the "Promissory Note"), pursuant to which Lender has extended or will extend to Debtor credit up to a maximum amount of Six Hundred Fifty Five Thousand and 00/100 (\$655,000.00) (the "Loans").

B. Debtor wishes to grant to Lender a security interest in all its assets as security for the Loans and the other Secured Obligations, as described herein.

NOW, THEREFORE, in order to induce Lender to make the Loans, Debtor agrees as follows:

ARTICLE I.

DEFINITIONS

Unless otherwise defined herein or in the Promissory Note, when used in this Agreement or the Promissory Note, the following terms shall have the following meanings:

The terms "Account," "Chattel Paper," "Deposit Account," "Document," "Instruments", "Securities", "Electronic Chattel Paper," "Instrument," "Inventory," "Equipment", "General Intangibles", "Payment Intangibles, "Commercial Tort Claims", "Letter of Credit Rights", shall have the meanings defined in the Uniform Commercial Code as enacted in Washington, as amended from time to time.

"Account Debtor" means the party who is obligated on or under any Financial Instrument, Account, Chattel Paper, Instrument, or General Intangible.

"Assignee Deposit Account" has the meaning set forth in Section 5.5 hereof.

"Borrower" shall mean Debtor.

"Capital Expenditures" means, for any period for which the same is to be determined, the aggregate amount of any expenditures made by Borrower for capital assets, plus the aggregate amount of Capitalized Lease Obligations incurred for such period, determined in accordance with GAAP.

"Capital Lease" means a lease of, or other agreement conveying the right to use, real or personal property, or both, which obligation is, or in accordance with GAAP required to be, classified and accounted for as a capital lease.

"Capitalized Lease Obligations" means the obligations of Borrower or any Subsidiary, as lessee, to pay rent or other amounts under all Capitalized Leases, the amount thereof determined in accordance with GAAP.

"Cash Flow Recapture" means sixty percent (60%) of Free Cash Flow, payable quarterly.

"Earnings" means net income, all as determined under GAAP.

"EBITDA" means Borrower's Earnings before payment of interest, taxes, depreciation and amortization, all as determined under GAAP.

"Free Cash Flow" means EBITDA less (i) all scheduled principal and interest payments with respect to borrowed money, (ii) Capital Expenditures, and (ii) all cash tax payments.

"GAAP" means generally accepted accounting principles as adopted from time to time by the American Institute of Certified Public Accountants, applied in a consistent manner.

"Secured Obligations" means:

(a) all indebtedness, liabilities and obligations of Borrower to Lender now or hereafter existing, whether joint or several, direct or indirect, absolute or contingent or due or to become due, howsoever evidenced, created, incurred or owing and whether or not evidenced by promissory notes or other evidences of indebtedness, and all modifications, renewals, extensions and rearrangements thereof and substitutions and replacements therefor, including without limitation all indebtedness, liabilities and obligations arising under or in connection with this Agreement, the Promissory Note, or any other of the related document or the transactions contemplated thereby;

(b) all fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owned with others, and whether or not from time to time decreased or extinguished and later increased, created, or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Lender as a preference, fraudulent transfer, or otherwise; and

(c) all obligations, covenants and agreements of Borrower under any agreement between Borrower and Lender, whether or not in writing, relating to (i) any transaction that is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap or option, bond, note or bill option, interest rate option, cap, collar or floor transaction, swap option, or any other, similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing, and unless the context otherwise clearly

requires, any master agreement relating to or governing any or all of the foregoing, (ii) funds transfers, whether by Fedwire, Automated Clearing House or other means, and (iii) granting provisional credit for deposits or paying checks, drafts or other instruments; and

(d) all accrued interest on any of the foregoing indebtedness, liabilities and obligations, whether accruing prior to or subsequent to the commencement of a Lenderruptycy or similar proceeding.

ARTICLE II.

GRANT OF SECURITY INTEREST

As security for the payment and satisfaction of the Secured Obligations, Debtor hereby grants to Lender a continuing security interest in, and assigns to Lender all of Debtor's right, title and interest in and to, all of its now owned and hereafter acquired rights in the following (the "Collateral"): Accounts, Chattel Paper, Deposit Accounts, Documents, Instruments, Securities, Electronic Chattel Paper, Inventory, Equipment, General Intangibles, Payment Intangibles, Commercial Tort Claims, Letter of Credit Rights, and Intellectual Property, including, without limitation, all patents (including Patent No. 6,817,872), patent applications, trademarks (including Trademark Registration No. 3389759), and trade names and all products and inventions that are not yet the subject of any patent application, and all extensions and divisions thereof, and all trade secrets and other proprietary information and products related thereto, together with all profits, rents and proceeds of all of the forgoing.

ARTICLE III.

COVENANTS OF DEBTOR

Debtor shall fully perform each of the covenants set forth below.

3.1 Obligations to Pay

(a) Debtor shall pay to Lender all amounts payable by Debtor to Lender, as required by and pursuant to the Promissory Note and the other related documents; and

(b) Debtor shall pay and reimburse Lender for all expenditures including reasonable attorneys' fees and legal expenses in connection with the exercise by Lender, upon the occurrence and continuance of an Event of Default, of any of its rights or remedies under the Promissory Note or the other Related Documents.

3.2 Filing Fees

Debtor shall pay all costs of filing any financing, continuation or termination statement with respect to the security interests granted herein.

3.3 Control

After the occurrence of an Event of Default, Debtor shall cooperate with Lender in obtaining control with respect to Collateral that Lender may specify from time to time.

3.4 Disposition of Collateral

Except in ordinary course of business, Debtor shall not sell or transfer any of the Collateral or release, compromise or settle any obligation or receivable due to Debtor.

3.5 Further Identification of Collateral

Debtor will furnish to Lender from time to time statements and schedules further identifying and describing the Collateral, and such other reports in connection with the Collateral as Lender may request, all in reasonable detail.

3.6 Notices

Debtor will advise Lender promptly in reasonable detail (a) of any lien on or claim asserted against any of the Collateral, and (b) of the occurrence of any other event that could reasonably be expected to have a material adverse effect on the Collateral or on the liens created hereunder.

3.7 Filing of Financing Statement and with U.S. Patent and Trade Mark Office

Debtor authorizes Lender to file (including electronic or facsimile filing) this Security Agreement or one or more financing statements and Patent Collateral Assignment describing the Collateral, including descriptions broader than as set forth in this Agreement, with state and federal governmental offices. Debtor agrees that where allowed by law, a carbon, photographic or other reproduction of a financing statement or this Agreement is sufficient as a financing statement.

3.8 Insurance

(a) Debtor shall maintain insurance upon Debtor's properties and business insuring against such risks as is customarily maintained by companies in the same or similar business as that conducted by Debtor. Debtor shall cause each insurance policy issued in connection therewith to provide and shall cause the insurer issuing such policy to certify to Lender that (i) if such insurance is proposed to be canceled or materially changed for any reason whatsoever, such insurer will promptly notify Lender, and such cancellation or change shall not be effective as to Lender for 30 days after receipt by Lender of such notice, unless the effect of the change is to extend or increase coverage under the policy; (ii) Lender will have the right at its election to remedy any default in the payment of premiums within 30 days of notice from the insurer of the default; and (iii) loss payments from casualty/property loss insurance in excess of \$5,000.00 in each instance will be payable jointly to the relevant Debtor and Lender as secured party or

otherwise as its interest may appear; provided, however, absent the occurrence and continuation of an Event of Default, Debtor may use such proceeds to repair or replace damaged Collateral and, if such event, Debtor shall and hereby does grant Lender a Security Interest in all such replacement Collateral.

(b) Debtor shall from time to time upon request by Lender, promptly furnish or cause to be furnished to Lender evidence, in form and substance satisfactory to Lender, of the maintenance of all insurance, indemnities, or bonds required by this Section 5.5 or by any license, lease, or other agreement to be maintained, including but not limited to such originals or copies as Lender may request of policies, certificates of insurance, riders, assignments, and endorsements relating to the insurance and proof of premium payments.

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES

Debtor hereby makes the following representations and warranties:

4.1 No Impairment of Collateral

None of the Collateral shall be impaired or jeopardized because of the security interest herein granted.

4.2 No Approvals

No Governmental Approvals of any nature are required in connection with the security interests herein granted.

4.3 Authority

Debtor has full power and authority to assign to Lender and to grant to Lender a security interest in the Collateral.

4.4 Location of Records

The address of the office where the books and records of Debtor are kept concerning the Collateral is set forth on Schedule I.

4.5 Name

Debtor conducts its business only under the name set forth in the preamble to this Agreement.

4.6 State of Organization

WrenchRat, Inc. has been duly formed and incorporated, and is validly existing, in the State of Washington.

ARTICLE V.

LENDER'S RIGHTS WITH RESPECT TO THE COLLATERAL

5.1 No Duty on Lender's Part

Lender shall not be required (except at its option upon the occurrence and during the continuation of any Event of Default) to realize upon any Collateral; exercise any rights or options of Debtor pertaining thereto; make presentment, demand or protest; give notice of protest, nonacceptance or nonpayment; or do any other thing for the protection, enforcement or collection of such Collateral. The powers conferred on Lender hereunder are solely to protect Lender's interests in the Collateral and shall not impose any duty upon Lender to exercise any such powers. Lender shall be accountable only for amounts that Lender actually receives as a result of the exercise of such powers; and Lender shall not be responsible in any manner to Debtor or others for any act or failure to act hereunder.

5.2 Negotiations with Account Debtor

Upon the occurrence and during the continuation of any Event of Default, Lender may, in its sole discretion, extend or consent to the extension of the time of payment or maturity of any Collateral.

5.3 Duties Regarding Collateral

Beyond the safe custody thereof, Lender shall not have any duty as to any Collateral in its possession or control, or as to any preservation of any rights of or against other parties.

5.4 Collection From Account Debtor

Upon the occurrence and during the continuation of any Event of Default, Debtor shall, upon demand by Lender (and without any grace or cure period), notify all Account Debtor to make payment to Lender of any amounts due or to become due. Debtor authorizes Lender to contact the Account Debtor for the purpose of having all or any of them pay their obligations directly to Lender. Upon demand by Lender, Debtor shall enforce collection of any indebtedness owed to it by Account Debtor.

5.5 Assignee Deposit Account

Upon demand by Lender, after the occurrence of an Event of Default, Debtor will transmit and deliver to Lender, in the form received, immediately after receipt, all cash, checks,

drafts, or other writings or form of payment for the payment of money (properly endorsed, where required, so that the items may be collected by Lender) that may be received by Debtor at any time related to the Collateral. All items or amounts that are delivered by Debtor to Lender, or collected by Lender from the Account Debtor, shall be deposited to the credit of a Deposit Account ("Assignee Deposit Account") designated by Lender, as security for the payment of the Secured Obligations. Debtor shall have no right to withdraw any funds deposited in the Assignee Deposit Account. Lender may, from time to time in its discretion, and shall, upon the request of Debtor made not more than twice in any week, apply all or any of the balance, representing collected funds, in the Assignee Deposit Account, to payment of the Secured Obligations, whether or not then due, in such order of application, not inconsistent with the terms of the Promissory Note and this Agreement, as Lender may determine; and Lender may, from time to time in its discretion, release all or any of such balance to Debtor.

ARTICLE VI.

LENDER'S RIGHTS AND REMEDIES

6.1 General

Upon the failure of Debtor to pay any amount due under the Promissory Note or other Secured Obligations, or the failure to perform any of its duties or obligations under this Security Agreement (any of which may be referred to herein as an "Event of Default"), Lender may take possession and control of the Collateral, exercise any of its rights and remedies provided for herein and any other rights and remedies at law and in equity, simultaneously or consecutively, all of which rights and remedies shall be cumulative. The choice of one or more rights or remedies shall not be construed as a waiver or election barring other rights and remedies. Debtor hereby acknowledges and agrees that Lender is not required to exercise all rights and remedies available to it equally with respect to all the Collateral and that Lender may select less than all the Collateral with respect to which the rights and remedies as determined by Lender may be exercised.

6.2 Notice of Sale; Duty to Assemble Collateral

In addition to or in conjunction with the rights and remedies referred to in Section 6.1 hereof. Upon the occurrence and continuance of an Event of Default:

(a) Written notice mailed to Debtor at the address designated herein ten days or more prior to the date of public or private sale of any of the Collateral shall constitute reasonable notice.

(b) If Lender requests, Debtor will assemble the Collateral and make it available to Lender at places that Lender shall reasonably select, whether on Debtor's premises or elsewhere.

6.3 Disposition of Collateral

In addition to all rights and remedies provided in this Agreement or by law, if an Event of Default occurs and is continuing, Lender may dispose of any of the Collateral at public auction or private sale in its then present condition or following such preparation and processing as Lender deems commercially reasonable. Lender has no duty to prepare or process the Collateral prior to sale. Lender may disclaim warranties of title, possession, quiet enjoyment and the like. Such actions by Lender shall not affect the commercial reasonableness of the sale. Further, Lender may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.

ARTICLE VII.

GENERAL PROVISIONS

7.1 Entire Agreement

This Agreement, together with the Promissory Note and the other Related Documents, sets forth all the promises, covenants, agreements, conditions and understandings between the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements and understandings, inducements or conditions, express or implied oral or written, with respect thereto, except as contained or referred to herein. This Agreement may not be amended, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of such amendment, waiver, discharge or termination is sought.

7.2 Invalidity

If any provision of this Agreement shall for any reason be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereunder, but this Agreement shall be construed as if such invalid or unenforceable provision had never been contained herein.

7.3 Nonwaiver and Nonexclusive Rights and Remedies

(a) No right or remedy herein conferred upon or reserved to Lender is intended to be to the exclusion of any other right or remedy, but each and every such right or remedy shall be cumulative and shall be in addition to every other right or remedy given hereunder and now or hereafter existing at law or in equity.

(b) No delay or omission by Lender in exercising any right or remedy accruing upon an Event of Default shall impair any such right or remedy, or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, nor shall it affect any subsequent Event of Default of the same or of a different nature.

7.4 Termination of Security Interest

When all the Secured Obligations have been paid in full and Lender's commitment to make any advances has terminated, the security interest provided herein shall terminate and Lender shall return to Debtor all Collateral then held by Lender, if any, and upon written request of Debtor, shall provide to Lender, in form for filing, termination statements of the security interests herein granted, and promptly take such other steps as are reasonably requested by Debtor to release any lien that Lender may have on the Collateral. Thereafter, no party hereto shall have any further rights or obligations hereunder.

7.5 Successors and Assigns

All rights of Lender hereunder shall inure to the benefit of its successors and assigns, and all obligations of Debtor shall be binding upon its successors and assigns.

7.6 Lender's Appointment as Attorney-in-Fact

(a) Debtor hereby irrevocably constitutes and appoints Lender and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Debtor and in the name of Debtor or in its own name, from time to time in Lender's discretion, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments that may be necessary or desirable to accomplish the purposes of this Agreement; and without limiting the generality of the foregoing, Debtor hereby gives Lender the power and right, on behalf of Debtor, without consent by or notice to Debtor, to do the following:

(i) upon the occurrence and continuation of an Event of Default, to transfer to Lender or to any other person all or any of said Collateral, to endorse any Instruments pledged to Lender and to fill in blanks in any transfers of Collateral, powers of attorney or other documents delivered to Lender;

(ii) to pay or discharge taxes and liens levied or placed on or threatened against the Collateral, to effect any repairs or any insurance called for by the terms of this Agreement and to pay all or any part of the premiums therefor and the costs thereof;

(iii) upon the occurrence and during the continuation of any Event of Default (A) to take possession of, endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Account, Instrument or General Intangible or with respect to any other Collateral and (B) to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by Lender for the purpose of collecting all such moneys due under any Account, Financial Assets, Instrument, Investment Property, or General Intangible or with respect to any other Collateral whenever payable; and

(iv) upon the occurrence and during the continuation of any Event of Default (A) to direct any party liable for any payment under any of the Collateral to make payment of all moneys due or to become due thereunder directly to Lender or as Lender shall direct; (B) to ask for, demand, collect and receive payment of and receipt for, any

and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (C) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against Debtor, assignments, verifications, notices and other documents in connection with any of the Collateral; (D) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any thereof and to enforce any other right in respect of any Collateral; (E) to defend any suit, action or proceeding brought against Debtor with respect to any Collateral; (F) to settle, compromise or adjust any suit, action or proceeding described in clause (E) above and, in connection therewith, to give such discharge or releases as Lender may deem appropriate; (G) to assign any Intellectual Property (along with the goodwill of the business to which any such Intellectual Property pertains) throughout the world for such terms or terms, on such conditions, and in such manner as Lender shall in its sole discretion determine; and (H) generally, to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Lender were the absolute owner thereof for all purposes; and to do, at Lender's option and Debtor's expense, at any time or from time to time, all acts and things that Lender deems necessary to protect, preserve or realize upon the Collateral and Lender's liens thereon and to effect the intent of this Agreement, all as fully and effectively as Debtor might do.

(b) Debtor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

(c) Debtor also authorizes Lender, at any time and from time to time, to execute, in connection with the sale provided for in Article VI hereof, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

(d) The powers conferred on Lender hereunder are solely to protect Lender's interests in the Collateral and shall not impose any duty upon Lender to exercise any such powers. Lender shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to Debtor for any act or failure to act hereunder.

7.7 Performance by Lender of Debtor's Obligations

If Debtor fails to perform or comply with any of its agreements contained herein and Lender, as provided for by the terms of this Agreement, shall itself perform or comply, or otherwise cause performance or compliance, with such agreement, the expense of Lender incurred in connection with such performance or compliance, together with interest thereon at the rate provided for in the Promissory Note upon the occurrence of an Event of Default, shall be payable by Debtor to Lender on demand and shall constitute Secured Obligations.

7.8 Governing Law

This Agreement and the rights and obligations of the parties hereunder shall be construed and enforced in accordance with and shall be governed by the laws of the state of Washington, without regard to the choice of law rules thereof.

7.9 Notices

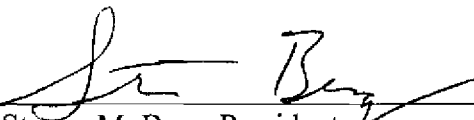
All notices, requests, consents, demands, approvals and other communications hereunder shall be deemed to have been duly given, made or served if in writing and when delivered personally, or sent via facsimile, or mailed by first class mail, postage prepaid, to the respective parties to this Agreement at their respective addresses set forth below their respective signature on the signature page hereof. The designation of the person to be so notified or the address of such person for the purposes of such notice may be changed from time to time by similar notice in writing, except that any communication with respect to a change of address shall be deemed to be given or made when received by the party to whom such communication was sent.


7.10 Counterparts

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

IN WITNESS WHEREOF, Debtor has executed and delivered this Security Agreement as of the day and year first above written.

WRENCHRAT, INC.
a Washington corporation

By: 
Steven M. Berg, President


Steven M. Berg, individually

Notice Address for Debtor:

Care of
234 W Summer Ave
Spokane WA 99204