

Form PTO-1594 (Rev. 03/01) OMB No. 0651-0027 (exp. 5/31/2002)

**RECORDATION FORM COVER SHEET
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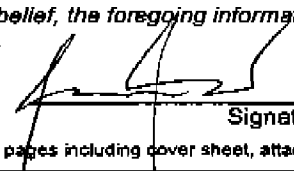
To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

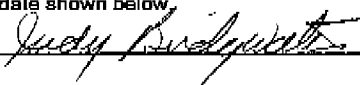
<p>1. Name of conveying party(ies): SRS Medical Corp.</p> <p><input type="checkbox"/> Individual(s) <input type="checkbox"/> Association <input type="checkbox"/> General Partnership <input type="checkbox"/> Limited Partnership <input checked="" type="checkbox"/> Corporation-State Washington <input type="checkbox"/> Other:</p> <p>Additional name(s) of conveying party(ies) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	<p>2. Name and address of receiving party(ies): Name: <u>Timm Medical Technologies, Inc.</u> Internal Address: Street Address: 201 Technology Drive</p> <p>City: <u>Irvine</u> State: <u>CA</u> Zip: <u>92618</u></p> <p><input type="checkbox"/> Individual(s) citizenship: _____ <input type="checkbox"/> Association: _____ <input type="checkbox"/> General Partnership: _____ <input type="checkbox"/> Limited Partnership: _____ <input checked="" type="checkbox"/> Corporation-State: <u>Delaware</u> <input type="checkbox"/> Other: _____</p> <p>If assignee is not domiciled in the United States, a domestic representative designation is attached: (Designations must be a separate document from assignment) <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Additional name(s) & address(es) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>3. Nature of Conveyance: <input type="checkbox"/> Assignment <input type="checkbox"/> Merger <input checked="" type="checkbox"/> Security Agreement <input type="checkbox"/> Change of Name <input type="checkbox"/> Other:</p> <p>Execution Date: <u>October 15, 2003</u></p>	

<p>4. Application Number(s) or Registration Number(s): A. Trademark Application No.(s): Additional numbers attached? <input type="checkbox"/> Yes</p>	<p>B. Trademark Registration No.(s): 1,510,016 (UROSCAN) 1,571,728 (C3) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
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<p>5. Name and address of party to whom correspondence concerning document should be mailed: Name: Bruce D. Grant MORRISON & FOERSTER LLP</p> <p>Internal Address: <u>Atty. Dkt.: 543810000005</u> Street Address: 3811 Valley Centre Drive, Suite 500</p> <p>City: <u>San Diego</u> State: <u>CA</u> Zip: <u>92130-2332</u></p>	<p>6. Total Number of applications and registrations involved: <u>2</u></p> <p>7. Total fee (37 CFR 3.41) \$ <u>65.00</u> <input type="checkbox"/> Enclosed <input checked="" type="checkbox"/> Authorized to be charged to Deposit Account <input type="checkbox"/> Authorized to be charged to credit card (Form 2038 enclosed)</p> <p>8. Deposit account number: <u>03-1952 referencing 543810000005</u> (Attach duplicate copy of this page if paying by deposit account)</p>
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DO NOT USE THIS SPACE

<p>9. Statement and signature: <i>To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.</i></p> <p><u>Bruce D. Grant</u> Name of Person Signing</p> <p> Signature</p>	<p><u>October 31, 2003</u> Date</p> <p>Total number of pages including cover sheet, attachments, and document: <input type="text" value="37"/></p>
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<p>I hereby certify that this correspondence is being facsimile transmitted to the Patent and Trademark Office, Assignment Services Division, facsimile no. (703) 306-5665, on the date shown below.</p>	
<p>Dated: <u>10/31/03</u></p>	<p>Signature: <u></u> (Judy Bridgwater)</p>

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SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement"), dated as of October 15, 2003, is made between SRS Medical Corp., a Washington corporation ("Debtor"), and Timm Medical Technologies, Inc., a Delaware corporation ("Secured Party").

Debtor and Secured Party hereby agree as follows:

SECTION 1 Definitions: Interpretation.

(a) All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned to them in the Note.

(b) As used in this Agreement, the following terms shall have the following meanings:

"Collateral" has the meaning set forth in Section 2.

"Documents" means this Agreement, the Note, the Purchase Agreement and all other certificates, documents, agreements and instruments delivered to Secured Party under the Note or in connection with the Obligations.

"Event of Default" has the meaning set forth in Section 8.

"Lien" means any mortgage, deed of trust, pledge, security interest, assignment, deposit arrangement, charge or encumbrance, lien, or other type of preferential arrangement.

"Note" means that certain Secured Promissory Note dated as of the date hereof made by Debtor in favor of Secured Party, as amended, modified, renewed, extended or replaced from time to time.

"Obligations" means the indebtedness, liabilities and other obligations of Debtor to Secured Party created under, arising out of or in connection with the Note or any of the other Documents, including, without limitation, all unpaid principal of the Note, all interest accrued thereon, all fees and all other amounts payable by Debtor to Secured Party thereunder or in connection therewith, whether now existing or hereafter arising, and whether due or to become due, absolute or contingent, liquidated or unliquidated, determined or undetermined, and including interest that accrues after the commencement by or against Debtor of any bankruptcy or insolvency proceeding naming such Person as the debtor in such proceeding.

"Person" means an individual, corporation, partnership, joint venture, trust, unincorporated organization, governmental agency or authority, or any other entity of whatever nature.

"Purchase Agreement" means that certain Agreement of Purchase and Sale by and between Debtor and Secured Party dated as of the date hereof.

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

(c) Where applicable and except as otherwise defined herein, terms used in this Agreement shall have the meanings assigned to them in the UCC.

(d) In this Agreement, (i) the meaning of defined terms shall be equally applicable to both the singular and plural forms of the terms defined; and (ii) the captions and headings are for convenience of reference only and shall not affect the construction of this Agreement.

SECTION 2 Security Interest.

(a) As security for the payment and performance of the Obligations, Debtor hereby grants to Secured Party a security interest in all of Debtor's right, title and interest in, to and under all of the Purchased Assets (as defined in the Purchase Agreement) sold to Debtor by Secured Party pursuant to the Purchase Agreement and all products, proceeds and supporting obligations thereof, including all accounts, chattel paper, deposit accounts, documents, equipment (including all fixtures), general intangibles, instruments, inventory, investment property, letter-of-credit rights, money constituting Purchased Assets and products, proceeds and supporting obligations thereof (collectively, the "Collateral"). Notwithstanding the foregoing, except for fixtures (to the extent covered by Article 9 of the UCC), such grant of a security interest shall not extend to, and the term "Collateral" shall not include, any asset which would be real property under the law of the jurisdiction in which it is located.

(b) Anything herein to the contrary notwithstanding, (i) 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, (ii) the exercise by Secured Party of any of the rights hereunder shall not release Debtor from any of its duties or obligations under such contracts, agreements and other documents included in the Collateral, and (iii) Secured Party shall not have any obligation or liability under any contracts, agreements and other documents included in the Collateral by reason of this Agreement, nor shall Secured Party be obligated to perform any of the obligations or duties of Debtor thereunder or to take any action to collect or enforce any such contract, agreement or other document included in the Collateral hereunder.

(c) This Agreement shall create a continuing security interest in the Collateral which shall remain in effect until terminated in accordance with Section 19 hereof.

SECTION 3 Financing Statements, Etc. Debtor shall execute and deliver to Secured Party concurrently with the execution of this Agreement, and Debtor hereby authorizes Secured Party to file (with or without Debtor's signature), at any time and from time to time thereafter, all financing statements, assignments, continuation financing statements, termination statements, account control agreements, and other documents and instruments, in form reasonably satisfactory to Secured Party, and take all other action, as Secured Party may reasonably request, to perfect and continue perfected, maintain the priority of or provide notice of the security interest of Secured Party in the Collateral and to accomplish the purposes of this

Agreement. Without limiting the generality of the foregoing, Debtor ratifies and authorizes the filing by Secured Party of any financing statements filed prior to the date hereof. Debtor will cooperate with Secured Party in obtaining control (as defined in the UCC) of Collateral consisting of deposit accounts, investment property, letter of credit rights and electronic chattel paper. Debtor will join with Secured Party in notifying any third party who has possession of any Collateral of Secured Party's security interest therein and obtaining an acknowledgment from the third party that it is holding the Collateral for the benefit of Secured Party. Debtor will not create any chattel paper without placing a legend on the chattel paper acceptable to Secured Party indicating that Secured Party has a security interest in the chattel paper.

SECTION 4 Representations and Warranties. Debtor represents and warrants to Secured Party that:

(a) Debtor is duly organized, validly existing and in good standing under the law of the jurisdiction of its organization and has all requisite power and authority to execute, deliver and perform its obligations under this Agreement and the Note.

(b) The execution, delivery and performance by Debtor of this Agreement and the Note have been duly authorized by all necessary action of Debtor, and each of this Agreement and the Note constitutes the legal, valid and binding obligation of Debtor, enforceable against Debtor in accordance with its terms.

(c) No authorization, consent, approval, license, exemption of, or filing or registration with, any governmental authority or agency, or approval or consent of any other Person, is required for the due execution, delivery or performance by Debtor of this Agreement or the Note, except for any filings necessary to perfect any Liens on any Collateral.

(d) Debtor's chief executive office and principal place of business (as of the date of this Agreement) is located at the address set forth in Schedule 1; Debtor's jurisdiction of organization is set forth in Schedule 1; Debtor's exact legal name is as set forth in the first paragraph of this Agreement; and all other locations where Debtor conducts business or Collateral is kept (as of the date of this Agreement) are set forth in Schedule 2.

(e) Debtor has rights in or the power to transfer the Collateral, and Debtor is the sole and complete owner of the Collateral, free from any Lien other than Liens in favor of Secured Party.

(f) Debtor is not and will not become a lessee under any real property lease or other agreement governing the location of Collateral at the premises of another Person pursuant to which the lessor or such other Person may obtain any rights in any of the Collateral, and no such lease or other such agreement now prohibits, restrains, impairs or will prohibit, restrain or impair such Debtor's right to remove any Collateral from the premises at which such Collateral is situated, except for the usual and customary restrictions contained in such leases of real property.

SECTION 5 Covenants. So long as any of the Obligations remain unsatisfied, Debtor agrees that:

(a) Debtor shall appear in and defend any action, suit or proceeding which may affect to a material extent its title to, or right or interest in, or Secured Party's right or interest in, the Collateral, and shall do and perform all reasonable acts that may be necessary and appropriate to maintain, preserve and protect the Collateral.

(b) Debtor shall comply in all material respects with all laws, regulations and ordinances, and all policies of insurance, relating in a material way to the possession, operation, maintenance and control of the Collateral.

(c) Debtor shall give prompt written notice to Secured Party (and in any event not later than 30 days following any change described below in this subsection) of: (i) any change in the location of Debtor's chief executive office or principal place of business; (ii) any change in the locations set forth in Schedule 1; (iii) any change in its name; (iv) any changes in its identity or structure in any manner which might make any financing statement filed hereunder incorrect or misleading; (v) any change in its registration as an organization (or any new such registration); or (vi) any change in its jurisdiction of organization; provided that Debtor shall not locate any Collateral outside of the United States nor shall Debtor change its jurisdiction of organization to a jurisdiction outside of the United States.

(d) Debtor shall carry and maintain in full force and effect, at its own expense and with financially sound and reputable insurance companies, insurance with respect to the Collateral in such amounts, with such deductibles and covering such risks as is customarily carried by companies engaged in the same or similar businesses and owning similar properties in the localities where Debtor operates.

(e) Debtor shall keep separate, accurate and complete books and records with respect to the Collateral, disclosing Secured Party's security interest hereunder.

(f) Debtor shall not surrender or lose possession of (other than to Secured Party), sell, lease, rent, or otherwise dispose of or transfer any of the Collateral or any right or interest therein, except in the ordinary course of business or unless such Collateral is replaced by comparable Collateral of similar value.

(g) Debtor shall keep the Collateral free of all Liens except Liens in favor of Secured Party.

(h) Debtor shall pay and discharge all taxes, fees, assessments and governmental charges or levies imposed upon it with respect to the Collateral prior to the date on which penalties attach thereto, except to the extent such taxes, fees, assessments or governmental charges or levies are being contested in good faith by appropriate proceedings.

(i) Debtor shall maintain and preserve its legal existence, its rights to transact business and all other rights, franchises and privileges necessary or desirable in the normal course of its business and operations and the ownership of the Collateral.

(j) Upon the request of Secured Party and to the extent any of the same constitute Collateral, Debtor shall (i) immediately deliver to Secured Party, or an agent designated by it, appropriately endorsed or accompanied by appropriate instruments of transfer

or assignment, all documents and instruments, all certificated securities with respect to any investment property, all letters of credit and all accounts and other rights to payment at any time evidenced by promissory notes, trade acceptances or other instruments, (ii) cause any securities intermediaries to show on their books that Secured Party is the entitlement holder with respect to any investment property, and/or obtain account control agreements in favor of Secured Party from such securities intermediaries, in form and substance satisfactory to Secured Party, with respect to any investment property, as requested by Secured Party, and (iii) provide such notice, obtain such acknowledgments and take all such other action, with respect to any chattel paper, documents and letter-of credit rights, as Secured Party shall reasonably specify.

(k) Debtor shall at any reasonable time and from time to time permit Secured Party or any of its agents or representatives to visit the premises of Debtor and inspect the Collateral and to examine and make copies of and abstracts from the records and books of account of Debtor.

(l) To the extent such accounts and rights to payment constitute Collateral, Debtor shall: (i) with such frequency as Secured Party may require, furnish to Secured Party such lists of customers and other information relating to the accounts and other rights to payment as Secured Party shall reasonably request; (ii) give only normal discounts, allowances and credits as to accounts and other rights to payment, in the ordinary course of business, according to normal trade practices utilized by Debtor, and enforce all accounts and other rights to payment strictly in accordance with their terms, except that Debtor may grant any extension of the time for payment or enter into any agreement to make a rebate or otherwise to reduce the amount owing on or with respect to, or compromise or settle for less than the full amount thereof, any account or other right to payment, in the ordinary course of business, according to normal and prudent trade practices utilized by Debtor; and (iii) upon the request of Secured Party (A) at any time, notify all or any designated portion of the account debtors and other obligors on the accounts and other rights to payment of the security interest hereunder, and (B) upon the occurrence and during the continuance of an Event of Default, notify the account debtors and other obligors on the accounts and other rights to payment or any designated portion thereof that payment shall be made directly to Secured Party or to such other Person or location as Secured Party shall specify.

(m) Debtor shall, at such times as Secured Party shall reasonably request, prepare and deliver to Secured Party a report of all inventory which is Collateral, in form and substance satisfactory to Secured Party.

(n) Debtor shall (i) notify Secured Party of any material claim made or asserted against the Collateral by any Person and of any change in the composition of the Collateral or other event which could materially adversely affect the value of the Collateral or Secured Party's Lien thereon; (ii) furnish to Secured Party such statements and schedules further identifying and describing the Collateral and such other reports and other information in connection with the Collateral as Secured Party may reasonably request, all in reasonable detail; and (iii) upon reasonable request of Secured Party make such demands and requests for information and reports as Debtor is entitled to make in respect of the Collateral.

(o) Debtor shall not enter into any agreement (including any license or royalty agreement) pertaining to any of its patents, copyrights, trademarks, service marks and trade names, to the extent the same constitute Collateral, except for non-exclusive licenses in the ordinary course of business.

(p) At Secured Party's request, Debtor will obtain from each Person from whom Debtor leases any premises at which any Collateral is at any time present such collateral access, subordination, waiver, consent and estoppel agreements as Secured Party may require, in form and substance satisfactory to Secured Party.

SECTION 6 Collection of Accounts. Until Secured Party exercises its rights hereunder to collect the accounts and other rights to payment, Debtor shall endeavor in the first instance diligently to collect all amounts due or to become due on or with respect to the accounts and other rights to payment to the extent the same constitute Collateral. At the request of Secured Party, upon the occurrence and during the continuance of any Event of Default, all remittances received by Debtor with respect to Collateral shall be held in trust for Secured Party and, in accordance with Secured Party's instructions, remitted to Secured Party or deposited to an account of Secured Party in the form received (with any necessary endorsements or instruments of assignment or transfer).

SECTION 7 Authorization; Secured Party Appointed Attorney-in-Fact.

Secured Party shall have the right to, in the name of Debtor, or in the name of Secured Party or otherwise, upon notice to but without the requirement of assent by Debtor, and Debtor hereby constitutes and appoints Secured Party (and any of Secured Party's officers, employees or agents designated by Secured Party) as Debtor's true and lawful attorney-in-fact, with full power and authority to: (i) sign and file any of the financing statements and other documents and instruments which must be executed or filed to perfect or continue perfected, maintain the priority of or provide notice of Secured Party's security interest in the Collateral; (ii) assert, adjust, sue for, compromise or release any claims under any policies of insurance; and (iii) execute any and all such other documents and instruments, and do any and all acts and things for and on behalf of Debtor, which Secured Party may deem reasonably necessary or advisable to maintain, protect, realize upon and preserve the Collateral and Secured Party's security interest therein and to accomplish the purposes of this Agreement. Secured Party agrees that, except upon and during the continuance of an Event of Default, it shall not exercise the power of attorney, or any rights granted to Secured Party, pursuant to clauses (ii) and (iii). The foregoing power of attorney is coupled with an interest and irrevocable so long as the Obligations have not been paid and performed in full. Debtor hereby ratifies, to the extent permitted by law, all that Secured Party shall lawfully and in good faith do or cause to be done by virtue of and in compliance with this Section 7.

SECTION 8 Events of Default. Any of the following events which shall occur and be continuing shall constitute an "Event of Default":

(a) Debtor shall fail to pay within ten (10) days after the date when due any amount of principal of or interest on the Note or other amount payable hereunder or under the Note or any other Document or in respect of the Obligations.

(b) Any representation or warranty by Debtor under or in connection with this Agreement, the Note or any other Document shall prove to have been incorrect when made or deemed made.

(c) Debtor shall fail to perform or observe any other term, covenant or agreement contained in this Agreement, the Note or any other Document on its part to be performed or observed; or any "Event of Default" as defined in the Note shall have occurred.

(d) Debtor shall admit in writing its inability to, or shall fail generally or be generally unable to, pay its debts (including its payrolls) as such debts become due, or shall make a general assignment for the benefit of creditors; or Debtor shall file a voluntary petition in bankruptcy or a petition or answer seeking reorganization, to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act of 1978, as amended or recodified from time to time (the "Bankruptcy Code") or under any other state or federal law relating to bankruptcy or reorganization granting relief to debtors, whether now or hereafter in effect, or shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition filed against Debtor pursuant to the Bankruptcy Code or any such other state or federal law; or Debtor shall be adjudicated a bankrupt, or shall make an assignment for the benefit of creditors, or shall apply for or consent to the appointment of any custodian, receiver or trustee for all or any substantial part of Debtor's property, or shall take any action to authorize any of the actions set forth above in this paragraph; or an involuntary petition seeking any of the relief specified in this paragraph shall be filed against Debtor and not be dismissed within sixty (60) days; or any order for relief shall be entered against Debtor in any involuntary proceeding under the Bankruptcy Code or any such other state or federal law referred to in this subsection (d).

(e) Debtor shall (i) liquidate, wind up or dissolve (or suffer any liquidation, wind-up or dissolution), (ii) suspend its operations, or (iii) take any action to authorize any of the actions or events set forth above in this subsection (e).

(f) Any material impairment in the value of the Collateral or the priority of Secured Party's Lien hereunder.

(g) Any levy upon, seizure or attachment of any of the Collateral which shall not have been rescinded or withdrawn within ten (10) days after the occurrence of such event.

(h) Any loss, theft or substantial damage to, or destruction of, any material portion of the Collateral (unless within 10 days after the occurrence of any such event, Debtor furnishes to Secured Party evidence satisfactory to Secured Party that the amount of any such loss, theft, damage to or destruction of the Collateral is fully insured under policies naming Secured Party as an additional named insured or loss payee).

SECTION 9 Remedies.

(a) Upon the occurrence and continuance of any Event of Default, Secured Party may declare any of the Obligations to be immediately due and payable and shall have, in addition to all other rights and remedies granted to it in this Agreement, the Note or any other Document, all rights and remedies of a secured party under the UCC and other applicable laws.

Without limiting the generality of the foregoing, (i) Secured Party may peaceably and without notice enter any premises of Debtor, take possession of any the Collateral, remove or dispose of all or part of the Collateral on any premises of such Debtor or elsewhere, or, in the case of equipment, render it nonfunctional, 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 Secured Party may determine; (ii) Secured Party may require any Debtor to assemble all or any part of the Collateral and make it available to Secured Party at any place and time designated by Secured Party; (iii) Secured Party may secure the appointment of a receiver of the Collateral or any part thereof (to the extent and in the manner provided by applicable law); (iv) Secured Party may sell, resell, lease, use, assign, license, sublicense, transfer or otherwise dispose of any or all of the Collateral in its then condition or following any commercially reasonable preparation or processing (utilizing in connection therewith any of Debtor's assets, without charge or liability to Secured Party therefor) 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 Secured Party deems advisable; provided, however, that Debtor shall be credited with the net proceeds of sale only when such proceeds are finally collected by Secured Party. Secured Party shall have the right upon any such public sale, and, to the extent permitted by law, upon any such private sale, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption, which right or equity of redemption Debtor hereby releases, to the extent permitted by law. Secured Party shall give Debtor such notice of any private or public sales as may be required by the UCC or other applicable law.

(b) For the purpose of enabling Secured Party to exercise its rights and remedies under this Section 9 or otherwise in connection with this Agreement, Debtor hereby grants to Secured Party an irrevocable, non-exclusive and assignable license (exercisable without payment or royalty or other compensation to Debtor) to use, license or sublicense any intellectual property Collateral.

(c) Secured Party shall not have any obligation to clean up or otherwise prepare the Collateral for sale. Secured Party has no obligation to attempt to satisfy the Obligations by collecting them from any other Person liable for them, and Secured Party may release, modify or waive any Collateral provided by any other Person to secure any of the Obligations, all without affecting Secured Party's rights against Debtor. Debtor waives any right it may have to require Secured Party to pursue any third Person for any of the Obligations. Secured Party 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. Secured Party may sell the Collateral without giving any warranties as to the Collateral. Secured Party may specifically disclaim any warranties of title or the like. This procedure will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral. If Secured Party sells any of the Collateral upon credit, Debtor will be credited only with payments actually made by the purchaser, received by Secured Party and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral and Debtor shall be credited with the proceeds of the sale.

(d) To the extent Debtor uses the proceeds of any of the Obligations to purchase Collateral, Debtor's repayment of the Obligations shall apply on a "first-in, first-out" basis so that the portion of the Obligations used to purchase a particular item of Collateral shall be paid in the chronological order the Debtor purchased the Collateral.

(e) The cash proceeds actually received from the sale or other disposition or collection of Collateral, and any other amounts received in respect of the Collateral the application of which is not otherwise provided for herein, shall be applied first, to the payment of the reasonable costs and expenses of Secured Party in exercising or enforcing its rights hereunder and in collecting or attempting to collect any of the Collateral, and to the payment of all other amounts payable to Secured Party pursuant to Section 13 hereof; and second, to the payment of the Obligations. Any surplus thereof which exists after payment and performance in full of the Obligations shall be promptly paid over to Debtor or otherwise disposed of in accordance with the UCC or other applicable law. Debtor shall remain liable to Secured Party for any deficiency which exists after any sale or other disposition or collection of Collateral.

SECTION 10 Certain Waivers. Debtor waives, to the fullest extent permitted by law, (i) 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 Obligations; (ii) any right to require Secured Party (A) to proceed against any Person, (B) to exhaust any other collateral or security for any of the Obligations, (C) to pursue any remedy in Secured Party's power, or (D) 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 (iii) all claims, damages, and demands against Secured Party arising out of the repossession, retention, sale or application of the proceeds of any sale of the Collateral

SECTION 11 Notices. All notices or other communications hereunder shall be in writing (including by facsimile transmission or by email) and mailed, sent or delivered to the respective parties hereto at or to their respective addresses, facsimile numbers or email addresses set forth below their names on the signature pages hereof, or at or to such other address, facsimile number or email address as shall be designated by any party in a written notice to the other parties hereto. All such notices and other communications shall be deemed to be delivered when a record (within the meaning of the UCC) has been (i) delivered by hand; (ii) sent by mail upon the earlier of the date of receipt or five business days after deposit in the mail, first class (or air mail as to communications sent to or from the United States); (iii) sent by facsimile transmission; or (iv) sent by email.

SECTION 12 No Waiver; Cumulative Remedies. No failure on the part of 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 such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights and remedies under this Agreement are cumulative and not exclusive of any rights, remedies, powers and privileges that may otherwise be available to Secured Party.

SECTION 13 Costs and Expenses.

(a) Debtor agrees to pay on demand:

(i) all costs and expenses of Secured Party, and the fees and disbursements of counsel, in connection with the enforcement or attempted enforcement of, and preservation of any rights or interests under, this Agreement, the Note or any other Document, and including in any out-of-court workout or other refinancing or restructuring or in any bankruptcy case, and the protection, sale or collection of, or other realization upon, any of the Collateral, including all expenses of taking, collecting, holding, sorting, handling, preparing for sale, selling, or the like, and other such expenses of sales and collections of Collateral.

(b) Any amounts payable to Secured Party under this Section 13 or otherwise under this Agreement if not paid upon demand shall bear interest from the date of such demand until paid in full, at the default rate of interest set forth in the Note.

SECTION 14 Binding Effect. This Agreement shall be binding upon, inure to the benefit of and be enforceable by Debtor, Secured Party and their respective successors and assigns and shall bind any Person who becomes bound as a debtor to this Agreement. Debtor may not assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder without the prior express written consent of Secured Party. Any such purported assignment, transfer, hypothecation or other conveyance by Debtor without the prior express written consent of Secured Party shall be void. Debtor acknowledges and agrees that in connection with an assignment of the Obligations Secured Party may assign all or a portion of its rights and obligations hereunder. Upon any assignment of Secured Party's rights hereunder, such assignee shall have, to the extent of such assignment, all rights of Secured Party hereunder. Debtor agrees that, upon any such assignment, such assignee may enforce directly, without joinder of Secured Party, the rights of Secured Party set forth in this Agreement. Any such assignee shall be entitled to enforce Secured Party's rights and remedies under this Agreement to the same extent as if it were the original secured party named herein.

SECTION 15 Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of California, except as required by mandatory provisions of law and 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 California.

SECTION 16 Entire Agreement; Amendment. This Agreement and the documents referenced herein contain the entire agreement of the parties with respect to the subject matter hereof and shall not be amended except by the written agreement of the parties.

SECTION 17 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of this Agreement shall be prohibited by or invalid under any such law or regulation in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of

such prohibition or invalidity without affecting the remaining provisions of this Agreement, or the validity or effectiveness of such provision in any other jurisdiction.

SECTION 18 Counterparts. This Agreement may be executed in any number of counterparts and by different 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 but one and the same agreement.

SECTION 19 Termination. Upon payment and performance in full of all Obligations, the security interest created under this Agreement shall terminate and Secured Party shall promptly execute and deliver to Debtor such documents and instruments reasonably requested by Debtor as shall be necessary to evidence termination of all security interests given by Debtor to Secured Party hereunder.

SECTION 20 Conflicts. In the event of any conflict or inconsistency between this Agreement, the Note and the Purchase Agreement, the terms of this Agreement shall control.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, as of
ate first above written.

SRS MEDICAL CORP.

By [Signature]
Title: President

14950 NE 95th
Redmond WA 98052

Attn: Kevin Conarty
Fax: 509 882-1935
email: kmc@srsmedical.com

TIMM MEDICAL TECHNOLOGIES, INC.

By _____
Title: _____

Attn: _____
Fax: _____
email: _____

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

SRS MEDICAL CORP.

By _____
Title: _____

Attn: _____
Fax: _____
email: _____

TIMM MEDICAL TECHNOLOGIES, INC.

By William J. Nydam
Title: _____

201 Technology Drive
Irvine, CA 92618
Attn: William J. Nydam
Fax: (949) 450-5302
email: bnydam@endocare.com

SCHEDULE 1
to the Security Agreement

1. Jurisdiction of Organization

State of Washington

2. Chief Executive Office and Principal Place of Business

SRS Medical Corp.
14950 N.E. 95th
Redmond, WA 98052

3. Other locations where Debtor conducts business or Collateral is kept

SRS Medical Systems, Inc.
76 Treble Cove Rd., Bldg. 2
Billerica, MA 01862

AGREEMENT OF PURCHASE AND SALE

Dated as of October 15, 2003

between

SRS MEDICAL CORP.,

and

TIMM MEDICAL TECHNOLOGIES, INC.

THIS AGREEMENT OF PURCHASE AND SALE (this "Agreement"), is entered into as of October 15, 2003, by and between SRS Medical Corp., a Washington corporation ("Buyer") and Timm Medical Technologies, Inc. ("Seller").

ARTICLE I.

SALE OF ASSETS AND ASSUMPTION OF LIABILITIES

Section 1.01 Definitions.

- (a) "Affiliate" means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such Person.
- (b) "Amended Inventory Schedule" shall have the meaning set forth in Section 1.05(f).
- (c) "Assignment and Assumption Agreement" shall have the meaning set forth in Section 3.01(a)(ii).
- (d) "Assumed Liabilities" shall have the meaning set forth in Section 1.03.
- (e) "Basket Amount" shall have the meaning set forth in Section 4.05(b).
- (f) "Bill of Sale" shall have the meaning set forth in Section 3.01(a)(i).
- (g) "Business" shall have the meaning set forth in Section 1.05(a).
- (h) "Buyer" shall have the meaning set forth in the preamble of this Agreement.
- (i) "Closing" shall have the meaning set forth in Section 1.04.
- (j) "Closing Date" shall have the meaning set forth in Section 1.04.
- (k) "Code" shall have the meaning set forth in Section 1.06(d).
- (l) "Consent(s)" shall have the meaning set forth in Section 2.01(e).
- (m) "Damages" shall have the meaning set forth in Section 4.02.
- (n) "Deferred Payment" shall have the meaning set forth in Section 1.05(a).
- (o) "Income Taxes" shall have the meaning set forth in Section 1.06(a).
- (p) "Indemnified Party" shall have the meaning set forth in Section 4.04(a).
- (q) "Indemnifying Party" shall have the meaning set forth in Section 4.04(a).

- (r) **“Intellectual Property Assignment”** shall have the meaning set forth in Section 3.01(a)(iii).
- (s) **“Intellectual Property Rights”** shall mean all U.S. and foreign patents, patent applications, registered trademarks and trademark applications owned by Seller, which relate exclusively to the Products and are set forth in the Schedules.
- (t) **“Inventory”** shall have the meaning set forth in Section 1.05(f).
- (u) **“Knowledge”** shall mean as to an entity that such entity shall be deemed to have Knowledge of a particular fact or other matter if any individual who is serving as an executive or corporate-level officer of such entity or its parent entity is actually aware of such fact or other matter.
- (v) **“Liens”** shall have the meaning set forth in Section 2.01(d).
- (w) **“Minimum Deferred Payment”** shall have the meaning set forth in Section 1.05(a).
- (x) **“Permitted Liens”** shall mean any (i) encumbrance for Taxes not yet due or delinquent or being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with generally accepted accounting principles and (ii) any minor imperfections of title or similar encumbrances which individually or in the aggregate with other such encumbrances does not impair the value of the property subject to such encumbrance.
- (y) **“Person”** means any natural person, corporation, general partnership, limited partnership, limited liability company, proprietorship, other business organization, trust, union, association or governmental or regulatory authority.
- (z) **“Products”** means Seller’s (i) urodynamic devices and all accessory items; (ii) StepFree devices and all accessory items; and (iii) C3 devices and all accessory items.
- (aa) **“Promissory Note”** shall have the meaning set forth in Section 1.05(a).
- (bb) **“Purchased Assets”** shall have the meaning set forth in Section 1.02(a).
- (cc) **“Purchase Price”** shall mean all amounts payable by Buyer pursuant to Section 1.05.
- (dd) **“Revenues”** shall mean total gross amounts and other cash and non-cash consideration invoiced or otherwise charged in respect of items shipped, sold, transferred or otherwise distributed by Buyer or its affiliates, net of returns and any amounts invoiced or otherwise charged for sales taxes, freight and insurance (such items to be netted being referred to collectively as **“Deductions”**). Notwithstanding the foregoing, with respect to any item shipped, sold, transferred

or otherwise distributed by or on behalf of Buyer to an affiliate, or otherwise as part of a non-arms-length market transaction, "Revenues" will be calculated based on the greater of (a) the actual transfer price of such item and (b) the fair market value for such item if purchased in an arms-length market transaction by an unrelated, unaffiliated party, net of Deductions.

- (ee) "Schedule or Schedules" means the schedules provided by Seller to Buyer at Closing, which are incorporated herein by reference.
- (ff) "Security Agreement" shall have the meaning set forth in Section 3.01(a).
- (gg) "Seller" shall have the meaning set forth in the preamble of this Agreement.
- (hh) "Taxes" shall have the meaning set forth in Section 1.06(a).
- (ii) "Transaction" shall have the meaning set forth in Section 1.09(b).
- (jj) "Transfer Taxes" shall have the meaning set forth in Section 1.06(a).

Section 1.02 Sale and Purchase of Assets.

- (a) Assets to be Purchased. At the Closing, upon satisfaction of all conditions to the obligations of the parties contained herein (other than such conditions as will have been waived in accordance with the terms hereof), Seller shall sell, assign, transfer, convey and deliver to Buyer and Buyer shall accept and purchase, all of Seller's right, title and interest in and to all of the assets set forth on Schedule 1.02 (collectively, the "Purchased Assets").
- (b) Excluded Assets. Buyer and Seller acknowledge and agree that the only assets of Seller to be sold to Buyer are the Purchased Assets specifically identified on Schedule 1.02 and that no other assets of Seller are being sold under this Agreement.

Section 1.03 Assumption of Liabilities. Except for the following liabilities (the "Assumed Liabilities"): (i) Seller's obligations under purchase orders for Products which are open and unfulfilled as of the Closing Date, which are set forth in Schedule 1.03(i); (ii) Seller's warranty obligations arising under written warranties, the standard forms and a list of which are set forth in Schedule 1.03(ii) ("Seller's Written Warranties"), from sales of the Products, including without limitation the warranty obligations set forth in the warranty agreements set forth in Schedule 1.03; and (iii) Seller's obligations under that certain Service and Support Provider Agreement between the Seller and Diagnostic Instruments Service Center, dated August 1, 2003, as such agreement relates to the service and support of UI Diagnostic Products (as defined therein), Buyer will not assume, and will not be liable for, any liabilities or obligations of Seller, whether known, unknown, contingent, absolute, determined, indeterminable or otherwise on the Closing Date, whether incurred or accruing prior to, on or after the Closing Date.

Section 1.04 Closing. The closing of the purchase and sale of the Purchased Assets (the "Closing") will take place on October 15, 2003 (the "Closing Date"), at the offices of Morrison

& Foerster LLP, 3811 Valley Centre Drive, Suite 500, San Diego, California, unless another date or place is agreed to in writing by the parties hereto.

Section 1.05 Purchase Price. In consideration for the Purchased Assets acquired hereunder, Buyer shall pay to Seller the aggregate principal amount of \$2,693,638, plus interest on the unpaid balance at the rate of 7.5% per annum (the "Purchase Price") as follows:

- (a) **Deferred Payments.** Following the Closing Date, Buyer shall pay to Seller on a quarterly basis by bank wire transfer in immediately available funds to such bank account designated by Seller a deferred Purchase Price payment (each, a "Deferred Payment") equal to the higher of (i) the minimum quarterly deferred payment set forth in Schedule 1.05 (the "Minimum Deferred Payment") or (ii) 15% of the Revenues attributable to Buyer's then-existing urodynamics business, including, without limitation, any and all Revenues attributable to the urodynamics assets included in the Purchased Assets and all improvements and modifications thereto and 15% of the Revenues attributable to the incontinence assets included in the Purchased Assets, consisting exclusively of the StepFree and C3 assets and all improvements or modifications thereto (collectively, the "Business"), but specifically excluding biofeedback, electrical stimulation and bulking agent instruments; provided, that no Minimum Deferred Payment shall be required until the quarterly period ending March 31, 2004; and provided, further, that the aggregate Deferred Payments payable under this Agreement shall not exceed the Purchase Price. Buyer will pay each Deferred Payment no later than 45 days after the end of each quarterly period, or portion thereof for the first and last periods, ending on March 31, June 30, September 30 and December 31 of each year. Any Deferred Payment not paid when due under this Agreement shall bear interest at one and one-half percent (1.5%) per month, compounded monthly or, if less, the highest amount permissible under applicable law. The Purchase Price shall be evidenced by the secured promissory note set forth in Schedule 3.01(a)(v) (the "Promissory Note").
- (b) **Quarterly Information Report.** Buyer shall provide to Seller, concurrently with each quarterly Deferred Payment, a report showing in reasonable detail the determination of Revenues for such quarter. Buyer shall provide Seller with access during normal business hours and upon reasonable notice to such additional information as is necessary for Seller to audit and verify such reports.
- (c) **Annual Certification.** No later than sixty (60) days after the expiration of each calendar year, Buyer shall deliver to Seller a statement setting forth Buyer's determination of the Revenues for such calendar year and Buyer's determination of the Deferred Payments payable or paid to Seller corresponding to such calendar year, accompanied by a certificate executed on behalf of Buyer by the chief financial officer of Buyer, to the effect that, to the best of such officer's Knowledge after due inquiry, said determinations were made in accordance with the applicable provisions of this Agreement.

- (d) **Operation of Business in Commercially Reasonable Manner.** During the period in which any portion of the Deferred Payments is payable, Buyer shall conduct the Business in a commercially reasonable manner and shall not take, or allow its affiliates to take, any action intended to minimize or diminish the amount of the Deferred Payments payable to Seller. Without limiting the generality of the foregoing, Buyer will not: (i) divert the Revenues of the Business into any of Buyer's other businesses; (ii) sell or otherwise transfer a controlling interest in the Business or the Purchased Assets nor enter into any merger, consolidation, recapitalization, sale or transfer of substantial assets or sale, exchange or transfer of capital stock or other securities or other business combination (by operation of law or otherwise) affecting the Business or the Purchased Assets, unless the surviving entity from such transaction expressly agrees, in writing, to assume Buyer's obligation in respect to the payment of the Deferred Payments; or (iii) take any other action that could reasonably be expected to degrade the reputation of the Business or the amount of Revenues earned following the Closing.
- (e) **Audit.** For a period of two (2) years following the expiration of each calendar quarter (or portion thereof) during which this Agreement is in effect, Seller may deliver to Buyer a written notice requesting that independent certified public accountants selected by Seller and reasonably acceptable to Buyer review Buyer's determinations of Revenues and the amount of the corresponding Deferred Payments for a given quarter or quarters. Buyer shall allow, and cooperate with, such auditors to prepare, within sixty (60) days after the delivery of such written notice to Buyer, during normal business hours and not more than one (1) time per calendar year, a report of the audit of Buyer's determination of Revenues and the amount of the corresponding Deferred Payments for a given quarter or quarters to the effect that said determinations were made in accordance with the applicable provisions of this Agreement. In the event that the audit reveals that any Deferred Payment hereunder was less than the amount actually due, Buyer shall deliver to Seller the entire shortfall amount within ten (10) days after the completion of the audit; provided, further that in the event any Deferred Payment hereunder was less than the amount actually due and payable by five percent (5%) or more, then all costs of the audit shall be borne by Buyer. Otherwise Seller shall bear the cost of the audit, without limitation to Buyer's obligation to pay any shortfall. In the event that the audit reveals that any Deferred Payments hereunder exceeded the amount actually due, Seller shall reimburse the Buyer for the entire overpayment within ten (10) days after completion of the audit. Buyer shall keep, and shall cause each Person which shall use or have access to the Purchased Assets, including any applicable licensees, sublicensees and affiliates thereof, to keep full and accurate books of account containing all particulars that may be necessary for the purpose of calculating the Deferred Payments. Such books of account, with all necessary supporting data, shall be kept at their respective principal places of business.
- (f) **Purchase Price Adjustment.** The parties acknowledge that \$505,499 of the Purchase Price represents Seller's good faith estimate of the direct cost of Seller's raw materials, work-in-process and finished goods inventory including all units

on loan (collectively, "Inventory") as of the Closing, as set forth on Schedule 1.02(E) attached hereto. Promptly after the second week following the Closing, Seller shall prepare in good faith and deliver to Buyer a revised and updated Schedule 1.02(E) (the "Amended Inventory Schedule") and any additional Inventory set forth therein. If the aggregate value of such Inventory set forth in the Amended Inventory Schedule is less than \$505,499, then, on the date that Seller delivers to Buyer the Amended Inventory Schedule, the difference shall be credited against the principal amount of the Promissory Note. If the aggregate value of such Inventory set forth in the Amended Inventory Schedule is more than \$505,499, then, on the date that Seller delivers to Buyer the Amended Inventory Schedule, the outstanding principal amount of the Promissory Note shall be increased by the difference in the aggregate value of such Inventory, and the parties hereby agree to amend the Promissory Note and take any other necessary actions to reflect such difference.

Section 1.06**Tax Matters.**

- (a) Notwithstanding any legal requirements to the contrary, Buyer and Seller shall each be responsible for and pay fifty percent (50%) of any Transfer Taxes when due, and Buyer shall, at its own expense, file all necessary Tax returns and other documentation with respect to all such Transfer Taxes; *provided, however*, that, if required by any legal requirement, Seller will join in the execution of any such Tax returns and other documentation. "Transfer Taxes" shall mean all federal, state, local or foreign sales, use, transfer, real property transfer, mortgage recording, stamp duty, value-added or similar Taxes that may be imposed in connection with the transfer of Purchased Assets, together with any interest, additions to Tax or penalties with respect thereto and any interest in respect of such additions to Tax or penalties; but excluding all Income Taxes. "Income Taxes" shall mean any net income, gross income, gross receipts, franchise, profits, gains or alternative or add-on minimum Tax or comparable governmental fee or other assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to Tax or additional amount and any interest on such penalty, addition to Tax or additional amount, imposed by any Tax authority. "Tax" (and, with correlative meaning, "Taxes" and "Taxable") shall mean any net income, alternative or add-on minimum tax, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental or windfall profit tax, custom, duty or other tax, together with any interest or any penalty, addition to tax or additional amount and any interest on such penalty, addition to tax or additional amount, imposed by any Tax authority.
- (b) Except as provided in Section 1.06(a), Seller shall be responsible for and shall (i) pay any Taxes (and shall be entitled to all refunds of any Taxes) arising or resulting from or in connection with the ownership or operation of the Purchased Assets (including Income Taxes arising from or relating to the sale of the Purchased Assets hereunder) attributable to any Taxable period ending on or before the Closing Date, or, in the case of any Taxable period which includes the

Closing Date, the portion of such period up to and including the Closing Date, and (ii) pursuant to Section 4.02, indemnify and hold harmless Buyer and its successors and assigns for Taxes of Seller that are imposed with respect to the Purchased Assets relating to any Taxable period or portion thereof ending on or before the Closing Date (regardless of whether or not such Taxes result in Liens on the Purchased Assets). Except as provided in Section 1.06(a), Buyer shall be responsible for and shall (i) pay any Taxes (and shall be entitled to all refunds of any Taxes) arising or resulting from or in connection with the ownership or operation of the Purchased Assets attributable to any Taxable period beginning after the Closing Date or, in the case of any Taxable period which includes, but does not begin on, the Closing Date, the portion of such period beginning after the Closing Date, and (ii) pursuant to Section 4.03, indemnify and hold harmless Seller and its successors and assigns for Taxes of Buyer that are imposed with respect to the Purchased Assets relating to any Taxable period or portion thereof ending after the Closing Date.

- (c) All real property, personal property, ad valorem or other similar Taxes (not including Transfer Taxes or Income Taxes) levied with respect to the Purchased Assets for a Taxable period which includes (but does not end on) the Closing Date shall be apportioned between Seller and Buyer based on the number of days included in such period up to and including the Closing Date and the number of days included in such period beginning after the Closing Date.
- (d) Notwithstanding any other provision of this Agreement or the Promissory Note to the contrary, the portion of the Purchase Price that shall be treated as interest for Income Tax purposes, if any, shall be determined by Seller in accordance with Sections 483 and 1274 of the Internal Revenue Code of 1986, as amended ("Code").

Section 1.07 Allocation of Purchase Price. As soon as practicable after the Closing Date, Buyer shall provide to Seller for Seller's review and approval (which approval shall not be unreasonably withheld) a proposed allocation of the Purchase Price among the various classes of Purchased Assets (as such classes are defined for the purposes of Section 1060 of the Code). All allocations made pursuant to this Section 1.07 shall be made in accordance with the requirements of Section 1060 of the Code. None of the parties shall take a position on any Tax return (including IRS Form 8594), before any Tax authority or in any judicial proceeding that is in any manner inconsistent with such allocation without the written consent of the other parties to this Agreement or unless specifically required pursuant to a determination by an applicable Tax authority. The parties shall promptly advise each other of the existence of any tax audit, controversy or litigation related to any allocation hereunder.

Section 1.08 Bulk Transfers. The Seller has requested that Buyer waive, and Buyer hereby agrees to waive, the requirements of the Uniform Commercial Code concerning bulk transfers, as in effect in the various states in which the Purchased Assets are located, and Seller agrees to indemnify and hold Buyer harmless from and against any Damages that Buyer incurs by virtue of Seller's noncompliance with such applicable laws, if any.

Section 1.09 **Press Releases.**

- (a) Neither party hereto shall issue a press release or other publicity announcing the sale of the Purchased Assets or any other aspect of the transactions contemplated hereby without the prior written approval of the other party, which shall not be unreasonably withheld, except and to the extent that counsel for such party shall determine that such disclosure is required (i) by applicable law, including the Securities Act of 1933, as amended and the Securities Exchange Act of 1934, as amended, (ii) for financial statement disclosure, or (iii) pursuant to any applicable securities registration or stock exchange requirements.
- (b) The parties to this Agreement acknowledge that, effective immediately upon commencement of discussions between them with respect to the sale and purchase of the Purchased Assets ("Transaction"), each of them (and each of their employees, representatives, or other agents) has been and is permitted to disclose to any and all Persons, without limitation of any kind, the federal tax treatment and federal tax structure of the Transaction and all materials of any kind (including opinions or other tax analyses) that are or have been provided to them relating to such federal tax treatment and federal tax structure; provided that, with respect to any document or similar item that in either case contains information concerning the federal tax treatment or federal tax structure of the Transaction as well as other information, this authorization shall only apply to such portions of the document or similar item that relate to the federal tax treatment or federal tax structure of the Transaction. This provision is intended to qualify for the presumption that the Transaction is not offered under conditions of confidentiality as set forth in Section 1.6011-4(b)(3)(iii) of the Treasury Regulations and shall be interpreted to authorize disclosure only to the extent necessary to so qualify. The parties to this Agreement acknowledge that this written authorization does not constitute a waiver by any party of any privilege held by such party pursuant to the attorney-client privilege or the confidentiality privilege of Section 7525(a) of the Code.

ARTICLE II.**REPRESENTATIONS AND WARRANTIES****Section 2.01** **Representations and Warranties of Seller.**

Seller represents and warrants to, and agrees with, Buyer as follows (except as set forth on Schedule 2.01, which exceptions shall be deemed to be representations and warranties as if made hereunder):

- (a) **Organization.** Seller is a corporation duly incorporated, validly existing and in good standing under the laws of the state of Delaware.
- (b) **Authorization.** Seller has all requisite corporate power and authority to enter into and perform its obligations under this Agreement and to carry out the transactions

contemplated hereby. The Board of Directors of Seller has duly authorized the execution and delivery of this Agreement and the other transactions contemplated hereby and, no other corporate proceedings on the part of Seller are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly executed and delivered by Seller and constitutes a valid and binding obligation of Seller enforceable in accordance with its terms, except as may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, and (b) laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

- (c) **Non-Contravention.** Neither the execution and delivery by Seller of this Agreement nor the performance by Seller of its obligations hereunder, will, or with the giving of notice or the lapse of time or both would, (i) conflict with, result in a breach of, or constitute a default under, any provision of the charter or other organizational or governing documents of Seller or any material contract, indenture, lease, sublease, loan agreement, Lien (other than Permitted Liens) or other obligation or liability to which it is a party or by which any of the Purchased Assets is affected or bound; or (ii) result in the creation or imposition of any Lien upon the Purchased Assets (other than Permitted Liens).
- (d) **Title.** Except as set forth in Schedule 2.01(d), Seller has good and marketable title to all of the Purchased Assets, in each case free and clear of all mortgages, liens, security interests, pledges, charges or encumbrances of any nature whatsoever ("Liens") other than Permitted Liens. At the Closing, Seller will transfer to Buyer good and marketable title to all of the Purchased Assets, in each case free and clear of all Liens other than Permitted Liens.
- (e) **Consents and Approvals.** Except for filings required for the assignment of the Intellectual Property Rights set forth on Schedule 1.02 and as otherwise set forth in Schedule 2.01(e), no consent, approval, order or authorization of or from, or registration, notification, declaration or filing with (hereinafter sometimes separately referred to as a "Consent" and sometimes collectively as "Consents") of any individual or entity, including without limitation any governmental authority, is required in connection with the execution, delivery or performance of this Agreement by the Seller or the consummation by the Seller of the transactions contemplated herein.
- (f) **Litigation.** Except as set forth in Schedule 2.01(f), there is no action, suit, proceeding at law or in equity by any Person, or any arbitration or any administrative or other proceeding by or before (or any investigation by) any governmental authority, pending or, to Seller's Knowledge, threatened, against Seller relating directly to any of the Purchased Assets. Seller is not subject to any judgment, order or decree entered in any lawsuit or proceeding to which it is a party relating directly to the Purchased Assets.

- (g) **Intellectual Property.** The Seller has not received written notice, and does not otherwise have Knowledge, of any pending or threatened suit, action or proceeding that either does or would limit, cancel or question the validity of, or Seller's rights in and to, any of the Intellectual Property Rights.
- (h) **Distributors.** Schedule 2.01(h) sets forth in all materials respects a true, accurate and complete list of each distributor through which Seller currently distributes the Products. The Seller has not received written notice, and does not otherwise have Knowledge, that any current distributor identified in Schedule 2.01(h) may cease dealing with Seller.

Section 2.02 Representations and Warranties of Buyer.

Buyer represents and warrants to, and agrees with, Seller as follows:

- (a) **Organization and Assets.** Buyer is a corporation duly incorporated, validly existing and in good standing under the laws of the state of Washington. Buyer is a wholly-owned subsidiary of SRS Medical Systems, Inc. ("Parent"). Except for the ownership of the assets of the In-Flow product line as set forth in Schedule 2.02 attached hereto by Parent (or Parent's wholly-owned subsidiary, as the case may be), Buyer owns all of the collective assets of Parent and Parent's Affiliates.
- (b) **Binding Obligation.** Buyer has all requisite corporate power and authority to enter into and perform its obligations under this Agreement and to carry out the transactions contemplated hereby. The Board of Directors of Buyer has duly authorized the execution and delivery of this Agreement and the other transactions contemplated hereby and, no other corporate proceedings on the part of Buyer are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly executed and delivered by Buyer and constitutes a valid and binding obligation of Buyer enforceable in accordance with its terms, except as may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, and (b) laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.
- (c) **Consents and Approvals.** No Consents of any individual or entity, including without limitation any governmental authority, is required in connection with the execution, delivery or performance of this Agreement by the Buyer or the consummation by the Buyer of the transactions contemplated herein.
- (d) **Litigation.** There is no action, suit, proceeding at law or in equity by any Person, or any arbitration or any administrative or other proceeding by or before (or any investigation by) any governmental authority, pending or, to Buyer's Knowledge, threatened, against Buyer which questions or challenges the validity of this Agreement or would prevent Buyer from completing the transactions contemplated by the Agreement.

- (e) **Covered Entity.** Buyer is or will be as of the Closing a "covered entity" as defined in Title 45, Section 160.103, of the Code of Federal Regulations, as amended from time to time.

ARTICLE III.

CLOSING OBLIGATIONS

Section 3.01 Seller Closing Deliveries. Notwithstanding any other provision of this Agreement to the contrary, the obligation of Buyer to complete the transactions contemplated herein will be subject to the satisfaction at or prior to the Closing of each of the following conditions:

- (a) Seller shall deliver, or cause to be delivered, to Buyer at or prior to the Closing the following documents:
- (i) a bill of sale for all of the Purchased Assets substantially in the form of Schedule 3.01(a)(i) (the "Bill of Sale") executed by Seller;
 - (ii) an assignment and assumption agreement substantially in the form of Schedule 3.01(a)(ii) (the "Assignment and Assumption Agreement") executed by Seller;
 - (iii) one or more intellectual property assignments, each substantially in the form of Schedule 3.01(a)(iii) (together, the "Intellectual Property Assignments") executed by Seller; and
 - (iv) a security agreement from Buyer granting to Seller a security interest in the Purchased Assets to secure Buyer's payment of the Deferred Payments substantially in the form of Schedule 3.01(a)(iv) (the "Security Agreement").

Section 3.02 Buyer Closing Deliveries. Notwithstanding any other provision of this Agreement to the contrary, the obligation of Buyer to complete the transactions contemplated herein will be subject to the satisfaction at or prior to the Closing of each of the following conditions:

- (a) Buyer shall deliver, or cause to be delivered, to Seller at or prior to the Closing the following documents:
- (i) the Assignment and Assumption Agreement executed by Buyer;
 - (ii) the Promissory Note; and
 - (iii) the Security Agreement.

ARTICLE IV.

SURVIVAL, INDEMNIFICATION AND NONSOLICITATION

Section 4.01 Survival. The representations, warranties and covenants of each party contained in this Agreement, and all claims in respect of any breach of any such representation, warranty or covenant, will survive the Closing and shall expire upon that date which is twelve (12) months after the Closing Date, except that the covenants set forth in Sections 1.03, 1.05 and 4.06 and all representations and warranties of Seller relating to Section 2.01(d) (Title) shall survive indefinitely. Notwithstanding the foregoing, any representation, warranty or covenant that would otherwise terminate in accordance with this Section 4.01 shall continue to survive, if a notice of Claim pursuant to this Article 4 shall have been timely given under Section 4.04 on or prior to such termination date, until the related claim has been satisfied or otherwise resolved as provided herein. The right to indemnification or any other remedy based on representations, warranties, covenants and obligations in this Agreement will not be affected by any investigation conducted, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant or obligation. The waiver of any condition expressly based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, will not affect the right to indemnification based on such representations, warranties, covenants and obligations.

Section 4.02 Indemnification by Seller. Except as hereinafter set forth, Seller shall indemnify and hold harmless Buyer and its successors and assigns and its and their respective officers, directors, shareholders, employees and agents, against, and in respect of, any and all damages, claims, losses, liabilities and expenses, including, without limitation, reasonable legal, accounting and other expenses (collectively, "Damages"), which may arise out of: (a) any misrepresentation or other breach or violation of this Agreement by Seller; (b) Seller's ownership or operation of the Purchased Assets prior to the Closing, other than the Assumed Liabilities; or (c) any product liability claim or other third party claim relating to the Products, whether presently in existence or arising hereafter from acts, events, conditions or circumstances existing or occurring prior to the Closing Date.

Section 4.03 Indemnification by Buyer. Except as hereinafter set forth, Buyer shall indemnify and hold harmless Seller and its successors and assigns and its respective officers, directors, shareholders, employees and agents, against, and in respect of, any and all Damages, which may arise out of: (a) any misrepresentation or other breach or violation of this Agreement by Buyer; (b) Buyer's ownership or operation of the Purchased Assets after the Closing; (c) the Assumed Liabilities; or (d) any product liability claim or other third party claim relating to the Products, whether presently in existence or arising hereafter from acts, events, conditions or circumstances existing or occurring on or after the Closing Date.

Section 4.04 Claims for Indemnification.

- (a) **General.** The parties intend that all indemnification claims be made as promptly as practicable by the party seeking indemnification (the "Indemnified Party"). Whenever any claim arises for indemnification hereunder the Indemnified Party

will promptly notify the party from whom indemnification is sought (the "Indemnifying Party") of the claim and, when known, the facts constituting the basis for such claim. The failure to so notify the Indemnifying Party will not relieve the Indemnifying Party of any liability that it may have to the Indemnified Party except to the extent the Indemnifying Party demonstrates that the defense of such action is prejudiced thereby.

- (b) Claims by Third Parties. With respect to claims made by third parties, if the Indemnifying Party admits to the Indemnified Party and agrees in writing that it will be obligated under the terms of its indemnity hereunder in connection with such claim, the Indemnifying Party will be entitled to assume control of the defense of such action or claim, at its sole expense, with counsel reasonably satisfactory to the Indemnified Party; provided, however, that:
- (i) the Indemnified Party will be entitled to participate in the defense of such claim and to employ counsel at its own expense to assist in the handling of such claim;
 - (ii) no Indemnifying Party will consent to the entry of any judgment or enter into any settlement that: (A) does not include as an unconditional term thereof the giving by each claimant or plaintiff to each Indemnified Party of a release from all liability in respect of such claim; or (B) would result in the imposition against the Indemnified Party of injunctive or other equitable relief; or (C) could materially interfere with the business, operations or assets of the Indemnified Party; and
 - (iii) if the Indemnifying Party does not assume control of the defense of such claim in accordance with the foregoing provisions within ten (10) business days after receipt of notice of the claim, the Indemnified Party will have the right to defend such claim in such manner as it may deem appropriate at the reasonable cost and expense of the Indemnifying Party, and the Indemnifying Party will promptly reimburse the Indemnified Party therefor in accordance with this Section 4.04; provided that the Indemnifying Party and the Indemnified Party will not consent to the entry of any judgment or enter into any settlement without the written consent of the Indemnifying Party, which consent will not be unreasonably withheld or delayed, and that: (A) does not include as an unconditional term thereof the giving by each claimant or plaintiff to each Indemnified Party of a release from all liability in respect of such claim; or (B) would result in the imposition against the Indemnified Party of injunctive or other equitable relief; or (C) could materially interfere with the business, operations or assets of the Indemnified Party; provided, further, that if the Indemnified Party assumes the defense of such claim, the Indemnified Party will keep the Indemnifying Party reasonably informed of the progress of any such defense, compromise or settlement and will consult with and consider reasonable advice from the Indemnifying Party.

Section 4.05

Indemnification Limits.

- (a) Except for fraud and Buyer's obligations under Sections 1.03, 1.05 and 4.06, the indemnification provisions set forth in this Article 4 shall be the exclusive remedy for the Indemnified Party for a breach of any representation, warranty or covenant by the Indemnifying Party and shall be in lieu of any rights the Indemnified Party may have under law or in equity with respect to any such breaches or otherwise. Except for fraud and Buyer's obligations under Sections 1.03, 1.05 and 4.06, the liability of each party as an Indemnifying Party hereunder shall not exceed \$1,000,000 in the aggregate.
- (b) Except for fraud and Buyer's obligations under Sections 1.03, 1.05 and 4.06 and except for Seller's obligations under Section 1.08, none of Seller or Buyer, as the case may be, will be entitled to indemnification for any Damages under this Article 4 unless the aggregate of all Damages is more than Fifty Thousand Dollars (\$50,000) (the "Basket Amount"). When the aggregate amount of all such Damages hereunder equals or exceeds the Basket Amount, Buyer or Seller, as the case may be, will be entitled to full indemnification of all claims, including the Basket Amount. The parties hereto agree that the Basket Amount is not a deductible amount, nor that the Basket Amount will be deemed to be a definition of "material" for any purpose in this Agreement.

Section 4.06 Nonsolicitation by Buyer and its Affiliates.

- (a) In addition to Seller's other remedies set forth in this Agreement, in the event of Buyer's breach of its obligations under Section 1.05, Seller shall have the right, but not the obligation, to require Buyer and its Affiliates to cease contracting or doing business with, contacting or attempting to contact, diverting or attempting to divert, soliciting or attempting to solicit, and interfering or attempting to interfere with any (i) customer (or their respective Affiliates) of the Products and (ii) Person employed by Seller or any of its Affiliates who has conducted or conducts business with such customer.
- (b) It is the understanding of the parties that the scope of the covenants contained in this Section 4.06 are necessary to protect the rights of Seller in the event of Buyer's breach of its obligations under Section 1.05. It is the parties' intention that these covenants be enforced to the greatest extent (but to no greater extent) in time, area, and degree of participation as is permitted by the law of that jurisdiction whose law is found to be applicable to any acts in breach of these covenants.
- (c) The parties agree that, in the event of breach or threatened breach of Buyer's covenants in this Section 4.06, the damage or imminent damage to Seller will be irreparable and extremely difficult to estimate, making any remedy at law or in damages inadequate. Accordingly, the parties agree that Seller shall be entitled to injunctive relief against Buyer in the event of any breach or threatened breach of any of such covenants by Buyer, in addition to any other relief (including damages) available to Seller under this Agreement or under applicable law.

ARTICLE V.**GENERAL PROVISIONS**

Section 5.01 Further Assurances; Cooperation. Each of the parties hereto will, until, during, and after Closing, execute and deliver such instruments and take such other actions as the other party or parties, as the case may be, may reasonably require in order to carry out the intent of this Agreement. Without limiting the generality of the foregoing, at any time after the Closing, at the reasonable request of Buyer and without further consideration, Seller will execute and deliver such instruments of sale, transfer, conveyance, assignment and confirmation and take such action as Buyer may reasonably deem necessary or desirable in order to more effectively transfer, convey and assign to Buyer, and to confirm Buyer's title to, all of the Purchased Assets, and to put Buyer in actual possession and operating control thereof.

Section 5.02 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 deemed duly given (i) if personally delivered, when so delivered, (ii) if mailed, two business days after having been sent by registered or certified mail, return receipt requested, postage prepaid and addressed to the intended recipient as set forth below, (iii) if given by facsimile, once such notice or other communication is transmitted to the facsimile number specified below and electronic confirmation is received, provided that such notice or other communication is promptly thereafter mailed in accordance with the provisions of clause (ii) above or (iv) if sent through an overnight delivery service in circumstances to which such service guarantees next day delivery, the day following being so sent:

If to Seller:

Timm Medical Technologies, Inc.
c/o Endocare, Inc.
201 Technology Drive
Irvine, California 92618
Attention: President
Fax (949) 450-5302

with a required copy to:

Morrison & Foerster LLP
3811 Valley Centre Drive, Suite 500
San Diego, California 92130-2332
Attention: Steven G. Rowles
Fax (858) 720-5125

If to Buyer:

SRS Medical Corp.

14950 N.E. 95th
Redmond, WA 98052
Attn: Chief Executive Officer
Fax: (425) 882-1935

with a required copy to:

Nutter McClennen & Fish, LLP
World Trade Center West
155 Seaport Boulevard
Boston, MA 02210-2604
Attn: Stephen M. Address
Fax: 617-310-9293

Section 5.03 Amendments; No Waivers. Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by all parties hereto, or in the case of a waiver, by the party against whom the waiver is to be effective. No waiver by a party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent occurrence. No failure or delay by a party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 5.04 Expenses. All costs, fees and expenses incurred in connection with the negotiation, preparation, execution, delivery and performance of this Agreement and in closing and carrying out the transactions contemplated hereby shall be paid by the party incurring such cost or expense.

Section 5.05 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. No party hereto may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of each other party.

Section 5.06 Governing Law. This Agreement shall be governed by, construed and enforced in accordance with the internal laws of the State of California (regardless of the laws that might otherwise govern under applicable principles of conflicts of law).

Section 5.07 Counterparts. This Agreement may be signed in any number of counterparts and the signatures delivered by facsimile, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 5.08 Entire Agreement. This Agreement (including all Exhibits and Schedules and all other agreements referred to herein or therein which are hereby incorporated by reference and the other agreements executed simultaneously herewith) constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements,

understandings and negotiations, both written and oral, between the parties with respect to the subject matter of this Agreement. Neither this Agreement nor any provision hereof is intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

Section 5.09 Severability. If any provision of this Agreement shall be held by a court of competent jurisdiction to be invalid, unenforceable or void, the remainder of this Agreement shall remain in full force and effect only if, after excluding the portion deemed to be unenforceable, the remaining terms shall provide for the consummation of the transactions contemplated hereby in substantially the same manner as originally set forth at the later of the date this Agreement was executed or last amended.

Remainder of Page Intentionally Left Blank

IN WITNESS WHEREOF, Buyer and Seller have executed this Agreement as of the date first written above.

SRS MEDICAL CORP.

By: 

Name: Kevin M. Connolly

Title: President

TMM MEDICAL TECHNOLOGIES, INC.

By: _____

Name: _____

Title: _____

[SIGNATURE PAGE TO AGREEMENT OF PURCHASE AND SALE]

IN WITNESS WHEREOF, Buyer and Seller have executed this Agreement as of the date first written above.

SRS MEDICAL CORP.

By: _____

Name: _____

Title: _____

TMM MEDICAL TECHNOLOGIES, INC.

By: William J. Nydam

Name: William J. Nydam

Title:

[SIGNATURE PAGE TO AGREEMENT OF PURCHASE AND SALE]

TOTAL P.03

Schedule 1.02**Purchased Assets**

- A. U.S. Patent No. 5,184,629; Male Urinary Anti-Incontinence Device and Method (Date of Patent: February 9, 1993)
- B. U.S. Patent No. 5,554,092; Apparatus and Method for Testing and Exercising Pelvic Muscles (Date of Patent: September 10, 1996)
- C. U.S. Patent No. 6,068,581; Method and Apparatus for Testing and Exercising Pelvic Muscles (Date of Patent: May 30, 2000)
- D. The following trademarks and the goodwill associated therewith: Browne™, UroScan®, C3®, EasyFlo™, EasyPro™, ProDynamic™, StepFree™ and UroBreeze™.
- E. The raw materials, work-in-process and finished goods inventory.
- F. All purchase orders for Product which are open and unfulfilled as of the Closing Date.
- G. All rights of Seller under all warranties made by suppliers of the Products to the extent that such warranties are assignable and any required consent to such assignment has been obtained.
- H. Seller's rights under that certain Service and Support Provider Agreement between the Seller and Diagnostic Instruments Service Center, dated August 1, 2003, as such agreement relates to the service and support of UI Diagnostic Products (as defined therein).
- I. Regulatory approvals from the FDA to the extent that such approvals are assignable and any required consent to such assignment has been obtained, including the following: K974040 and K920992.
- J. All customer lists with credit data and history, operating manuals, instructions for use, clinical data, sales and marketing materials including immediate transfer of sales-related telephone numbers and current Web site for Products, training materials, sales, distribution and purchase correspondence, to the extent: (i) relating exclusively to the development, manufacture or sale of the Products as necessary for a competent third-party to continue to manufacture and support EasyPro, EasyFlo, C3, StepFree and Profilometer (puller), including but not limited to all CE documentation and detailed COGS with vendor information, (ii) previously reduced to writing in the ordinary course of Seller's business, and (iii) permitted by law and applicable confidentiality arrangements.