

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	Security Agreement

CONVEYING PARTY DATA

Name	Formerly	Execution Date	Entity Type
Loctronix Corporation		12/19/2012	CORPORATION: WASHINGTON

RECEIVING PARTY DATA

Name:	Jerome E. Mathews
Street Address:	2620 Bellevue Way NE
Internal Address:	#119
City:	Bellevue
State/Country:	WASHINGTON
Postal Code:	98004
Entity Type:	INDIVIDUAL: UNITED STATES

Name:	David Aas
Street Address:	556 Heron Lane
City:	Friday Harbor
State/Country:	WASHINGTON
Postal Code:	98250
Entity Type:	INDIVIDUAL: UNITED STATES

Name:	Thomas C. Davis
Street Address:	22823 NE 14th St.
City:	Sammamish
State/Country:	WASHINGTON
Postal Code:	98074
Entity Type:	INDIVIDUAL: UNITED STATES

Name:	Engenex Technologies LLC
Street Address:	10725 126th Pl. NE
City:	Kirkland
State/Country:	WASHINGTON

OP \$40.00 3773449

Postal Code:	98033
Entity Type:	LIMITED LIABILITY COMPANY: WASHINGTON

Name:	Hawkeye Investments LLC
Street Address:	2365 Carillon Point
City:	Kirkland
State/Country:	WASHINGTON
Postal Code:	98033
Entity Type:	LIMITED LIABILITY COMPANY: WASHINGTON

Name:	Hawkeye Investments II LLC
Street Address:	2365 Carillon Point
City:	Kirkland
State/Country:	WASHINGTON
Postal Code:	98033
Entity Type:	LIMITED LIABILITY COMPANY: WASHINGTON

PROPERTY NUMBERS Total: 1

Property Type	Number	Word Mark
Registration Number:	3773449	LOCTRONIX

CORRESPONDENCE DATA

Fax Number: 5032202480
Correspondence will be sent to the e-mail address first; if that is unsuccessful, it will be sent via US Mail.
 Phone: (503) 294-9584
 Email: awglazer@stoel.com, pphartigan@stoel.com
 Correspondent Name: Anne W. Glazer/Stoel Rives LLP
 Address Line 1: 900 SW Fifth Avenue
 Address Line 2: Suite 2600
 Address Line 4: Portland, OREGON 97204

ATTORNEY DOCKET NUMBER:	74152-3
NAME OF SUBMITTER:	Patrick P. Hartigan, SR Paralegal
Signature:	/Patrick P. Hartigan/
Date:	01/11/2013

Total Attachments: 25
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SECURED LOAN AGREEMENT

This Secured Loan Agreement ("Agreement") is made as of the 19 day of December, 2012, by and between Loctronix Corporation, a Washington corporation ("Borrower"), and Jerome E. Mathews ("Lender").

RECITALS

A. Pursuant to the terms and conditions hereof, Lender has agreed to make a loan or loans to Borrower (the "Loan"), evidenced by a promissory note of even date herewith in the principal amount of up to one million dollars (\$1,000,000) (the "Note"), in the form of **Exhibit A** hereto.

B. Pursuant to the terms and conditions hereof, Borrower has agreed to obtain the Loan from Lender and to grant a security interest to Lender in certain assets of the Borrower as evidenced by the security agreement attached as **Exhibit B** hereto (the "Security Agreement").

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, and the representations, warranties, and conditions set forth below, the parties hereto, intending to be legally bound, hereby agree as follows:

1. The Loan

1.1 **Loan.** Subject to satisfaction of the conditions set forth in this Agreement, Lender shall loan to Borrower, and Borrower shall borrow from Lender, the Loan. The Loan shall be evidenced by Borrower's execution and delivery of the Note and the execution and delivery of the other documents described in Section 1.2(b).

(a) **Notice of Borrowing.** The Loan may be borrowed pursuant to written draw requests submitted by Borrower (each a "Draw"). The initial Draw shall be in the amount of three hundred thousand dollars (\$300,000). Requests for additional Draws shall not exceed two Draws per quarter, commencing April 1, 2013, and except for the quarter in which the initial Draw occurs, shall not aggregate more than two hundred thousand dollars (\$200,000) per calendar quarter. A request for a Draw shall be made by Borrower delivering written notice of such request to Lender (each such notice, a "Notice of Borrowing"). Each Notice of Borrowing shall specify the aggregate principal amount of the Draw requested. Borrower may not request a Draw after June 30, 2014.

(b) **Interest.** Interest on the amounts outstanding on the Loan shall accrue and be payable at a rate of six percent (6%) interest per annum, non-compounded.

(c) **Repayment.** All principal, interest and other sums due under this Agreement or the Note shall be due and payable in full on the earlier of January 31, 2015 or the date upon which the Borrower completes a Liquidity Event described in Section 6 hereof (the "Maturity Date"). Once repaid the Loan may not be reborrowed.

(d) **Prepayment.** Borrower shall have the right to make prepayments of the Loan, in whole or in part, without prepayment penalty (each a "Prepayment").

(c) **Security.** To secure Borrower's performance of its obligations hereunder, Borrower has agreed to execute a Security Agreement dated as of the date hereof in the form of **Exhibit B** attached hereto (the "Security Agreement") and provide Lender with a UCC-1 and such other instruments necessary in order to perfect the security interest provided for herein (the "Perfection Documents"). This Agreement, the Note, and the Security Agreement are hereinafter referred to as the "Loan Documents".

1.2 **Closing; Delivery.**

(a) The closing of the Loan (the "Closing") shall occur on the date of this Agreement.

(b) At Closing, Borrower shall deliver to Lender the (i) Agreement, executed by Borrower; (ii) original Note and Perfection Documents, executed by Borrower; and (iii) resolutions of Borrower approving the execution, delivery, and performance of this Agreement, the Note and the Security Agreement and the transactions contemplated herein and therein, duly adopted by Borrower.

(c) At Closing, Lender shall execute and deliver to Borrower the (i) Agreement; and (ii) the Security Agreement.

2. Representations and Warranties of Borrower. Borrower represents and warrants to Lender that, as of the date of the Closing and the date of each Draw:

2.1 Due Formation, Qualification, etc. Borrower (i) is a corporation duly organized, and validly existing under the laws of the State of Washington; (ii) has the power and authority to own, lease and operate its properties and carry on its business as now conducted; and (iii) is duly qualified, licensed to do business and in good standing as a foreign limited liability company in each jurisdiction where the failure to be so qualified or licensed could reasonably be expected to have a material adverse effect.

2.2 Authority. The execution, delivery and performance by Borrower of each of this Agreement, the Note and the Security Agreement and the consummation of the transactions contemplated thereby (i) are within the corporate power of Borrower and (ii) have been duly authorized by all necessary actions on the part of Borrower.

2.3 Enforceability. The Loan Documents executed, or to be executed, by Borrower have been, or will be, duly executed and delivered by Borrower and constitute, or will constitute, legal, valid and binding obligations of Borrower, enforceable against Borrower in accordance with their terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally and general principles of equity.

2.4 Non-Contravention. The execution and delivery by Borrower of the Loan Documents executed by Borrower and the performance and consummation of the transactions contemplated thereby do not and will not (i) violate Borrower's articles of incorporation, as amended, or any material judgment, order, writ, decree, statute, rule or regulation applicable to Borrower; (ii) violate any provision of, or result in the breach or the acceleration of, or entitle any other person to accelerate (whether after the giving of notice or lapse of time or both), any material mortgage, indenture, agreement, instrument or contract to which Borrower is a party or by which it is bound; or (iii) result in the creation or imposition of any lien upon any property, asset or revenue of Borrower or the suspension, revocation, impairment, forfeiture, or nonrenewal of any material permit, license, authorization or approval applicable to Borrower, its business or operations, or any of its assets or properties other than as provided for herein.

2.5 Liabilities and Indebtedness. Borrower has provided Lender with complete copies of Borrower's unaudited balance sheet as of November 30, 2012 and the related statements of income and cash flows for the eleven month period then ended (the "2012 Financial Statements"). Except as set forth in the 2012 Financial Statements, Borrower has no liabilities or indebtedness other than for non-material liabilities or obligations incurred in the ordinary course of business and consistent with past practice.

3. Representations and Warranties of Lender. Lender represents and warrants to Borrower that, as of the date of the Closing and the date of each Draw:

3.1 Binding Obligation. Lender has full legal capacity, power and authority to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement is a valid and binding obligation of the Lender, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally and general principles of equity.

3.2 Access to Information. Lender acknowledges that Borrower has given Lender access to the corporate records and accounts of Borrower and to all information requested by Lender in order for Lender to make an informed decision with respect to the making of the Loan.

4. Conditions of Lender's Obligations at Closing and on Each Draw Date. The obligations of Lender to Borrower under this Agreement are subject to the fulfillment, on or before Closing and the date of each Draw, of each of the following conditions, unless otherwise waived:

4.1 Representations and Warranties. The representations and warranties of: (i) Borrower contained in this Agreement, shall have been true and correct when made, and shall be true and correct as of the date of each Draw with the same effect as though such representations and warranties had been made on and as of the date of Closing and each such Draw.

4.2 Performance. Borrower shall have performed and complied in all material respects with all covenants, agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the applicable Draw.

4.3 Transaction Documents. Borrower shall have duly executed and delivered to Lender the applicable documents described in Section 1.2(b) above.

5. Conditions of Borrower's Obligations at Closing. The obligations of Borrower to Lender under this Agreement are subject to the fulfillment, on or before the applicable Closing, of each of the following conditions, unless otherwise waived:

5.1 Representations and Warranties. The representations and warranties of Lender contained in this Agreement shall have been true and correct when made, and shall be true and correct as of the Closing and the date of each Draw.

5.2 Performance. All covenants, agreements and conditions contained in this Agreement to be performed by Lender on or prior to the applicable Closing shall have been performed or complied with in all material respects.

5.3 Transaction Documents. Lender shall have duly executed and delivered to Borrower the documents described in Section 1.2(c) above.

6. Mandatory Prepayment.

6.1 **Liquidity Event.** In the event after the date hereof but prior to maturity, Borrower completes (a) an equity financing or series of equity financings providing net cash proceeds to Borrower of two million dollars (\$2,000,000) or more or (b) a "Liquidation Event" as defined in Borrower's articles of incorporation, as amended (each of the foregoing, a "Liquidity Event"), all obligations of Borrower under the Note shall become immediately due and payable.

7. **Covenants; Events of Default.**

7.1 Borrower shall not, without the prior written consent of Lender, create, incur, assume or permit to exist, any additional indebtedness beyond that reflected in the 2012 Financial Statements or as provided for herein.

7.2 The Note shall contain the following events of default (each a "Default"):

(a) Borrower's failure to make any payment of principal or interest due under the Note, which failure continues for more than thirty (30) days following written notice from Lender to Borrower;

(b) Borrower's filing of a voluntary petition in bankruptcy or the adjudication of Borrower as bankrupt or insolvent, or Borrower's filing any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors; or Borrower's seeking or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of all or any part of its assets or of any or all of the royalties, revenues, rents, issues or profits thereof, or shall make any general assignment for the benefit of creditors;

(c) A court of competent jurisdiction entering an order, judgment or decree approving a petition filed against Borrower seeking any reorganization, dissolution or similar relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, and such order, judgment or decree shall remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive) from the first date of entry thereof, or any trustee, receiver or liquidator of Borrower or any part of Borrower's assets, or of any or all of the royalties, revenues, rents, issues or profits thereof, shall be appointed without the consent or acquiescence of Lender and such appointment shall remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive);

(d) The issuance or levy of a writ of execution or attachment or any similar process against all or any part of or interest in Borrower or its assets, or the entry of any judgment involving monetary damages against Borrower which shall become a lien on the assets of Borrower or any portion thereof or interest therein and such execution, attachment or similar process or judgment is not released, bonded, satisfied, vacated or stayed within thirty (30) days after its entry or levy;

(e) A material breach under this Agreement which continues for more than thirty (30) days following written notice from Lender to Borrower and the opportunity to cure; or

8. **Miscellaneous.**

8.1 **Successors and Assigns; Lender Consent.** The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or

by reason of this Agreement, except as expressly provided in this Agreement. No party hereto may assign any of its rights or obligations hereunder without the advance written consent of the other parties. To the extent during the term hereof any amendment, consent, or modification is required or sought to the terms, conditions, rights or obligations of the Lender hereunder, such amendment, consent or modification may be effected by, and shall only require the consent of, Jerome E. Mathews.

8.2 Governing Law. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Washington, without giving effect to principles of conflicts of law.

8.3 Counterparts; Title and Subtitles. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

8.4 Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by registered or certified mail, postage prepaid, sent by facsimile, email or otherwise delivered by hand or by messenger addressed to the addresses set forth on the signature page hereto. Each such notice or other communication shall for all purposes of this Agreement be treated as effective or having been given when delivered if delivered personally, or, if sent by mail, at the earlier of its receipt or seventy-two (72) hours after the same has been deposited in a regularly maintained receptacle for the deposit of the United States mail, addressed and mailed as aforesaid or, if sent by facsimile, upon confirmation of facsimile transfer or if sent by email, so long as no "undeliverable" notice is received by the sender.

8.5 Amendments and Waivers. Any term of this Agreement may be amended or waived only with the written consent of Borrower and Lender.

8.6 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision shall be excluded from this Agreement, (b) the balance of the Agreement shall be interpreted as if such provision were so excluded and (c) the balance of the Agreement shall be enforceable in accordance with its terms.

8.7 Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power or remedy of such non-breaching or non-defaulting party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

8.8 Entire Agreement. The Loan Documents constitute the entire agreement between the parties hereto pertaining to the subject matter hereof.

8.9 **Jury Trial.** EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING (WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATED TO THIS AGREEMENT.

8.10 **Telecopy Execution and Delivery.** A facsimile, telecopy or other reproduction of this Agreement may be executed by one or more parties hereto, and an executed copy of this Agreement may be delivered by one or more parties hereto by facsimile or similar electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes. At the request of any party hereto, all parties hereto agree to execute an original of this Agreement as well as any facsimile, telecopy or other reproduction hereof.

8.11 **Expenses.** Borrower shall reimburse Lender for its out of pocket expenses incurred in connection with the preparation, execution and delivery of the Loan Documents, including the reasonable attorneys fees and costs of counsel in an amount not to exceed \$3,000.00.

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

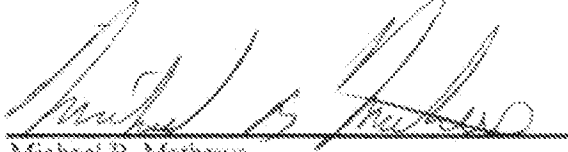
[Remainder of page intentionally left blank.]

The parties have executed this Secured Loan Agreement as of the date first written above.

BORROWER:

LENDER:

LOCTRONIX CORPORATION



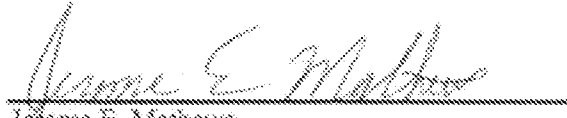
Michael B. Mathews

Its: CEO

Address for Notices:

18815 139th Ave NE Suite A-1

Woodinville, WA 98072



Jerome E. Mathews

Address for Notices:

2620 Bellevue Way NE #119

Bellevue, WA 98004

EXHIBIT A

SECURED PROMISSORY NOTE

up to \$1,000,000

December 19, 2012

FOR VALUE RECEIVED, the undersigned, Loctronix Corporation, a Washington corporation ("Borrower"), promises to pay to Loctronix Corporation, a Washington corporation ("Lender"), at such place or places as Lender may from time to time designate in writing, the principal sum of up to One Million Dollars (\$1,000,000) with interest thereon from the date hereof at the rate set forth below on the unpaid principal from time to time outstanding.

Section 1. Interest. Interest shall accrue from the date of this Note to the Maturity Date, as defined below, on the outstanding Principal Amount at a rate equal to six percent (6%) per annum, compounded annually; provided that, to the extent permitted by applicable law, Borrower shall pay to Lender interest on any unpaid principal amount evidenced by this Note that is not paid when due, from the date on which such amount is due (whether at stated maturity, by acceleration or otherwise) until such amount is paid in full, payable on demand, at the Default Rate (as defined below). In the event the interest rates in this Section 1 would exceed the maximum amount permitted by applicable law, such interest rates shall be retroactively reduced to such maximum permissible amount.

Section 2. Payments.

a. Payments. Payments on the Principal Amount and interest will be due and payable on January 31, 2015 (the "Maturity Date"). Borrower will have the right to prepay at any time in advance of the Maturity Date, without premium or penalty, all or any part of the Principal Amount.

b. Mandatory Prepayment. In the event of any Liquidity Event, all amounts outstanding under this Note shall be immediately due and payable to Lender without notice or presentment. "Liquidity Event" shall mean the occurrence after the date hereof of (a) an equity financing or series of equity financings providing net cash proceeds to Borrower of two million dollars (\$2,000,000) or more or (b) a "Liquidation Event" as defined in Borrower's Amended and Restated Articles of Incorporation.

c. Place of Payments. All payments will be made to Lender at such place as Lender may designate.

Section 3. Security. This Note is secured by the Security Agreement, dated as of the date hereof, executed by Borrower in favor of the Lender (the "Security Agreement").

Section 4. Events of Default/Remedies. Any one of the following occurrences will constitute an "Event of Default" under this Note:

a. Borrower's failure to make any payment of principal or interest due under the Note, which failure continues for more than thirty (30) days following written notice from Lender to Borrower;

b. Borrower's filing of a voluntary petition in bankruptcy or the adjudication of Borrower as bankrupt or insolvent, or Borrower's filing any petition or answer seeking or

acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors; or Borrower's seeking or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of all or any part of its assets or of any or all of the royalties, revenues, rents, issues or profits thereof, or shall make any general assignment for the benefit of creditors;

c. A court of competent jurisdiction entering an order, judgment or decree approving a petition filed against Borrower seeking any reorganization, dissolution or similar relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, and such order, judgment or decree shall remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive) from the first date of entry thereof; or any trustee, receiver or liquidator of Borrower or any part of Borrower's assets, or of any or all of the royalties, revenues, rents, issues or profits thereof, shall be appointed without the consent or acquiescence of Lender and such appointment shall remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive);

d. The issuance or levy of a writ of execution or attachment or any similar process against all or any part of or interest in Borrower or its assets, or the entry of any judgment involving monetary damages against Borrower which shall become a lien on the assets of Borrower or any portion thereof or interest therein and such execution, attachment or similar process or judgment is not released, bonded, satisfied, vacated or stayed within thirty (30) days after its entry or levy;

e. A material breach of or default under the Loan Agreement which continues for more than thirty (30) days following written notice from Lender to Borrower and the opportunity to cure; or

f. A material change in or cessation of operations of Borrower as measured against the operating budget of Borrower approved by Lender.

Upon the occurrence and continuance of any Event of Default, and the expiration of any cure period:

a. The entire unpaid Principal Amount, advances, any unpaid interest, and any other amounts owing under this Note will, at the option of Lender, immediately become due and payable;

b. Lender will have and may exercise any and all rights and remedies available at law or in equity. The remedies of Lender, as provided in this Note and the Security Agreement will be cumulative and concurrent, and may be pursued singularly, successively or together, at the sole discretion of Lender, and may be exercised as often as occasion therefor may arise; and

c. Upon an Event of Default, all unpaid obligations payable under this Note (including of principal, accrued interest, and late charges) will bear interest at the rate of twelve percent (12%), or the maximum rate allowed by law if less (the "Default Rate"), commencing upon the Event of Default.

Section 6. Governing law; Severability and Jurisdiction. This Note is made pursuant to, and will be construed and governed by the laws of the State of Washington. If any provision of this Note is construed or interpreted by a court of competent jurisdiction to be void, invalid, or unenforceable, such

decision will not affect the remaining provisions of this Note. The United States District Court for the Western District of Washington shall retain exclusive jurisdiction to (i) enforce and implement the terms and provisions of this Note, all amendments thereto, any waivers and consents thereunder, and each of the agreements executed in connection therewith, whether through legal or equitable remedies, (ii) resolve any disputes, controversies or claims arising out of or relating to this Note, (iii) interpret, implement and enforce the provisions of this Note, and (iv) protect the Lender against any claims, causes of action or other liabilities of whatever nature relating to or arising from this Note.

Section 8. Successors and Assigns. The terms and conditions of this Note shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Notwithstanding the foregoing, Borrower may not assign, pledge, or otherwise transfer this Note without the prior written consent of the Lender.

Section 9. Application of Payments. Each payment under this Note, at the option of the Lender, may be applied first to any costs and expenses payable to the Lender under this Note, then to interest currently due, then to interest hereafter arising under this Note, and then to principal under this Note.

Section 10. Headings. The subject headings of the paragraphs of this Note are included for purposes of convenience only, and will not affect the construction or interpretation of any of the provisions of this Note.

Section 11. Attorneys' Fees and Costs. Borrower promises to pay all reasonable costs, expenses, and attorneys' fees incurred by Lender in the exercise of any remedy (with or without litigation) under this Note and the Security Agreement in any proceeding for the collection of the debt evidenced by this Note in which Lender is the Prevailing Party, or the realization upon any other security securing this Note, in protecting or sustaining the lien or priority of said Security Agreement, or said other security, or in any litigation or controversy arising from or connected with this Note or any other security for this Note in which Lender is the Prevailing Party. Such proceedings include, without limitation, any probate, bankruptcy, receivership, injunction, arbitration, mediation or other proceeding, or any appeal from or petition for review of any of the foregoing. Borrower will also pay all of Lender's reasonable costs and attorneys' fees incurred in connection with any demand, work-out, settlement, compromise, or other activity in which Lender engages to collect any portion of the Principal Amount not paid when due or as a result of any Event of Default of Borrower. If a judgment is obtained thereon which includes an award of attorneys' fees, such attorneys' fees, costs, and expenses will be in such amount as the court will deem reasonable, which judgment will bear interest at the Default Rate from the date it is rendered to and including the date of payment to Lender. As used in this section the term "Prevailing Party" means the party determined by the court to have most nearly prevailed, even if such party did not prevail in all matters, not necessarily the one in whose favor a judgment is rendered.

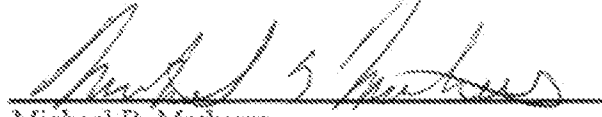
Section 12. Oral Agreements. **ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**

[signature page follows]

IN WITNESS WHEREOF, the undersigned has executed this Secured Promissory Note.

BORROWER:

Loctronix Corporation

A handwritten signature in black ink, appearing to read "Michael B. Mathews", is written over a horizontal line.

Michael B. Mathews

Its: CEO

Principal Place of Business:
18815 139th Ave NE Suite A-1
Woodinville, WA 98072

EXHIBIT B

SECURITY AGREEMENT

This Security Agreement (this "Agreement") is dated as of December 19, 2012, by and between Loctronix Corporation, a Washington corporation ("Debtor"), and Jerome E. Mathews ("Mathews"), Engenex Technologies LLC, a Washington limited liability company ("Engenex"), Thomas C. Davis ("Davis"), David Aas ("Aas"), and Hawkeye Investments LLC and Hawkeye Investment II LLC, each a Washington limited liability company (collectively, "Hawkeye"), (each of Mathews, Engenex, Davis, Aas and Hawkeye a "Secured Party," and all, collectively, the "Secured Parties").

RECITALS

(1) This Agreement is made pursuant to the Secured Loan Agreement, dated as of the date hereof, between Debtor and Mathews, and those certain promissory notes previously made in favor of Engenex, Davis, Aas and Hawkeye referenced on Schedule A hereto (all, as amended, restated, supplemented or otherwise modified from time to time, referred to herein as the "Notes," and the obligations of Debtor thereunder, as the "Obligations").

(2) It is a requirement of the loans evidenced by the Notes that Debtor shall have executed and delivered this Agreement to Secured Parties.

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

Section 1. Grant of Security Interest.

(a) Debtor hereby grants Secured Parties a security interest ("Security Interest") in the following described property of Debtor (collectively, the "Collateral");

All personal property of Debtor whether presently existing or hereafter created or acquired, and wherever located, including, but not limited to:

(i) all accounts (including health-care-insurance receivables), chattel paper (including tangible and electronic chattel paper), deposit accounts, documents (including negotiable documents), equipment (including all accessions and additions thereto), general intangibles (including payment intangibles and software), goods (including fixtures), instruments (including promissory notes), inventory (including all goods held for sale or lease or to be furnished under a contract of service, and including returns and repossessions), investment property (including securities and securities entitlements), letter of credit rights, money, and all of Debtor's books and records with respect to any of the foregoing, and the computers and equipment containing said books and records;

(ii) all common law and statutory copyrights and copyright registrations, applications for registration, now existing or hereafter arising, in the United States of America or in any foreign jurisdiction, obtained or to be obtained on or in connection with any of the foregoing, or any parts thereof or any underlying or component elements of any of the foregoing, together with the right to copyright and all rights to renew or extend such copyrights and the right (but not the obligation) of Secured Party to sue in its own name and/or in the name of the Debtor for past, present and future infringements of copyright;

(iii) all trademarks, service marks, trade names and service names and the goodwill associated therewith, together with the right to trademark and all rights to renew or extend such trademarks and the right (but not the obligation) of Secured Party to sue in its own name and/or in the name of the Debtor for past, present and future infringements of trademark, but excluding all "Intent to Use" applications for trademark or service mark registrations filed pursuant to Section 1(b) of the Lanham Act, and all goodwill associated therewith and all other assets, rights and interests that uniquely reflect or embody such goodwill (each, a "Lanham Act Application"), unless and until an Amendment to Allege Use or a Statement of Use under Section 1(c) and 1(d) of said Act has been filed with respect to such marks;

(iv) all (A) patents and patent applications filed in the United States Patent and Trademark Office or any similar office of any foreign jurisdiction, and interests under patent license agreements, including, without limitation, the inventions and improvements described and claimed therein, (B) licenses pertaining to any patent whether Debtor is licensor or licensee, (C) income, royalties, damages, payments, accounts and accounts receivable now or hereafter due and/or payable under and with respect thereto, including, without limitation, damages and payments for past, present or future infringements thereof, (D) right (but not the obligation) to sue in the name of Debtor and/or in the name of Secured Party for past, present and future infringements thereof, (E) rights corresponding thereto throughout the world in all jurisdictions in which such patents have been issued or applied for, and (F) reissues, divisions, continuations, renewals, extensions and continuations-in-part with respect to any of the foregoing; and

(v) any and all cash proceeds and/or noncash proceeds of any of the foregoing, including, without limitation, insurance proceeds, and all supporting obligations and the security therefor or for any right to payment.

(b) The Security Interest created herein shall secure the payment and performance of Debtor's payment obligations under the Notes, including, without limitation, any modifications, extensions or renewals of the Notes, including any such interest or other amounts incurred or arising during the pendency of any bankruptcy, insolvency, reorganization, receivership or similar proceeding, regardless of whether allowed or allowable in such proceeding or subject to an automatic stay under Section 362(a) of the Bankruptcy Code (collectively, the "Obligations"). All terms used herein without definition shall have the meanings assigned to them by the Washington Uniform Commercial Code, as in effect on the date hereof (the "Uniform Commercial Code"), unless and to the extent varied by this Agreement.

Section 2. Financing Statements and Other Action. Debtor agrees to do all acts which Secured Parties deem necessary or desirable to protect the Security Interest or to otherwise carry out the provisions of this Agreement, including, but not limited to, the execution of financing, continuation, amendment and termination statements and similar instruments. Secured Parties are authorized to file financing, continuation, amendment, and termination statements and similar instruments.

Section 3. Maintenance of Collateral. Debtor shall preserve the Collateral for the benefit of Secured Parties. Without limiting the generality of the foregoing, Debtor shall:

- (a) make all repairs, replacements, additions and improvements necessary to maintain the Collateral in good working order and condition;
- (b) maintain and account for all inventory;
- (c) preserve all beneficial contract rights;

- (d) take commercially reasonable steps to collect all accounts; and
- (e) pay all taxes, assessments, or other charges on the Collateral when due.

Debtor shall not, without prior written consent of Secured Parties, sell, encumber, lease or otherwise dispose of the Collateral (other than in the ordinary course of business). Debtor shall not use the Collateral in violation of any law.

Section 4. Maintenance of Records. Debtor covenants to keep accurate and complete records listing and describing the Collateral. Secured Parties shall have the right at any time between the hours of 9 a.m. and 5 p.m. Pacific Time on two (2) days' written notice to inspect the Collateral and to audit and make copies of any records or other writing, which relate to the Collateral or the general financial condition of Debtor. Secured Parties may remove such records and writings for the purpose of having copies made.

Section 5. Representations and Warranties. Debtor represents and warrants to Secured Parties as follows:

- (a) Organization. Debtor is a validly existing Washington corporation.
- (b) Authorization. Debtor has authority and has obtained all approvals and consents necessary to enter into this Agreement, and Debtor's execution, delivery and performance of this Agreement will not violate or conflict with the terms of Debtor's Articles of Incorporation or Bylaws, or any law, agreement, or other instrument or writing to which Debtor is party or by which is it bound.
- (c) Title. The Collateral is owned by Debtor and is free of all liens, encumbrances and other security interests.
- (d) Further Representations. Debtor further represents, warrants, and covenants that (i) the information provided to Secured Parties regarding the Collateral on or prior to the date of this Agreement is true and correct in all material respects; (ii) Debtor is in compliance with all laws and orders applicable to it; and (iii) no representation or other statement made by Debtor to Secured Parties contains any untrue statement of a material fact or omits to state a material fact necessary to make any statements made to Secured Parties not misleading.

Section 6. Covenants. Debtor shall:

- (a) Give Secured Parties at least ten (10) business days notice of any change in Debtor's name or jurisdiction of incorporation.
- (b) Maintain accurate records of the Collateral at the address set forth below; furnish Secured Parties any reasonably requested information related to the Collateral; and permit Secured Parties to inspect and copy all records relating to the Collateral in accordance with Section 4 above.

Section 7. Insurance. Debtor will keep the Collateral that is tangible personal property continuously insured against fire, theft and other hazards, in an amount equal to the full insurable value thereof. Debtor shall provide copies of the policies or evidence of insurance to Secured Parties. Secured Parties shall have no liability whatsoever for any loss that may occur by reason of the omission or lack of coverage of any such insurance.

Section 8. Rights on Default. During the continuance of an Event of Default (as defined in the Notes), Secured Parties may:

- (a) declare the Obligations, or any of them, to be immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived.
- (b) exercise the rights and remedies accorded to a secured party by the Uniform Commercial Code, other applicable law, or by any document securing the Obligations.
- (c) perform any warranty, covenant or agreement which Debtor has failed to perform under this Agreement.
- (d) take any action which Secured Parties deem necessary or desirable to protect the Collateral or the Security Interest.

The foregoing shall be referred to individually as a "Right on Default" or jointly as "Rights on Default". No course of dealing or delay in accelerating the Obligations or in taking or failing to take any other action with respect to any Event of Default shall affect any of the Secured Parties' rights to take such action at a later time. No waiver as to any one Event of Default shall affect Secured Parties' rights upon any other Event of Default. Secured Parties may exercise any or all of their Rights on Default concurrently with or independently of and without regard to the provisions of any other document which secures an Obligation. Debtor, if demanded by Secured Parties in the exercise of their Rights on Default, shall make the Collateral available to Secured Parties at Debtor's normal place of business. If Secured Parties dispose of the Collateral, Debtor agrees to pay any deficiency remaining after application of the net proceeds to the Obligations secured hereby. The requirement of the Uniform Commercial Code that Secured Parties give Debtor reasonable notice of any proposed sale or disposition of the Collateral shall be met if such notice is given to Debtor at least twenty (20) business days before the time of such sale or disposition.

Section 10. Expenses. Any payment made or expense incurred by Secured Parties (including, without limitation, reasonable attorneys' fees and disbursements incurred in any proceeding, including any bankruptcy proceeding, and in any appeals or judicial reviews thereof in which Secured Parties are the Prevailing Party) in connection with the exercise of any Right on Default shall be added to the indebtedness of Debtor to Secured Parties shall be payable upon demand and shall be secured by the Security Interest. Such expenses of Secured Parties shall be payable regardless of whether or not the Debtor redeems the Collateral. As used in this section the term "Prevailing Party" means "the party determined by the court to have most nearly prevailed, even if such party did not prevail in all matters, not necessarily the one in whose favor a judgment is rendered."

Secured Parties are not required to, but may at their option, pay any tax or other charge or expense payable by Debtor that Debtor has failed to pay when due and any filing or recording fees and any amounts so paid shall be repayable by Debtor upon demand.

Section 12. Notices. Any notice under this Agreement shall be in writing and shall be deemed delivered if mailed, postage prepaid, to a party at the principal place of business specified on the signature page to this Agreement or such other address as may be specified by notice given after the date hereof.

Section 13. Successors and Assigns; Counterparts; Amendments. This Agreement shall inure to the benefit of and shall bind the heirs, executors, administrators, legal representatives, successors and

assigns of the parties. This Agreement may be executed in counterparts. Debtor may not assign this Agreement without the prior written consent of Secured Parties. This Agreement may not be terminated, amended or modified without the advance written consent of Debtor and the Secured Parties.

Section 14. Interpretation. Reference to the singular or the plural shall be deemed to include the other where the context requires.

Section 15. Governing Law and Jurisdiction. This Agreement shall be governed by and construed under the laws of the State of Washington. Debtor and Secured Parties agree that venue is proper in Washington and that the United States District Court for the Western District of Washington shall have exclusive jurisdiction to (i) enforce and implement the terms and provisions of this Agreement, all amendments thereto, any waivers and consents thereunder, and each of the agreements executed in connection therewith, whether through legal or equitable remedies, (ii) resolve any disputes, controversies or claims arising out of or relating to this Agreement, (iii) interpret, implement and enforce the provisions of this Agreement, (iv) protect the Secured Parties against any claims, causes of action or other liabilities of whatever nature relating to or arising from the Agreement.

Section 16. Attorney-in-fact. Debtor and each of the Secured Parties hereby appoint Mathews, as attorney-in-fact with sole power and authority, in connection with the exercise of Secured Parties' Rights of Default, to do all things that Secured Parties are permitted to do under this Agreement including any amendments or modifications to this Agreement as provided in Section 13 and exercise of the Secured Parties' Rights of Default, so long as all such amendments or modifications affect the rights of Secured Parties proportionately. For the avoidance of doubt, Engenex, Davis, Aas and Hawkeye shall have no authority to exercise the Secured Parties' Rights of Default. This power, being coupled with an interest, is irrevocable so long as this Agreement remains in effect.

Section 17. Severability Provision. To the extent that any provision of this Agreement shall be determined to be invalid or unenforceable, such provision shall be deleted from this Agreement, and the validity and enforceability of the remainder of this Agreement shall be unaffected, provided that the essential purpose and protections of this Agreement are not affected thereby.

Section 18. Oral Agreements. **ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**

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

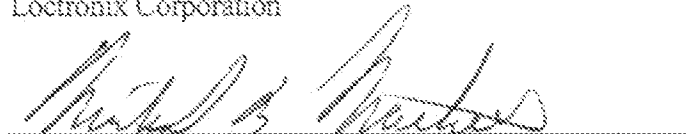
SECURED PARTIES

DEBTOR


Jerome E. Mathews

Address for Notices:
2620 Bellevue Way NE #119
Bellevue, WA 98004

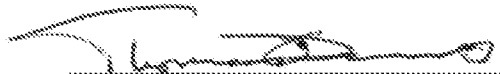
Loctronix Corporation


Michael B. Mathews
Its: CEO

Principal Place of Business:
18815 139th Ave NE Suite A-1
Woodinville, WA 98072

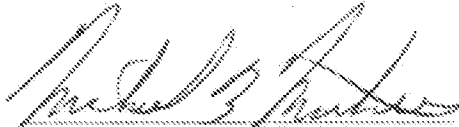
David Aas

Address for Notices:
556 Heron Lane
Friday Harbor, WA 98250


Thomas C. Davis

Address for Notices:
22823 NE 14th St.
Sammamish, WA 98074

Engenex Technologies LLC


Michael B. Mathews
Its: Managing Member

Address for Notices:
10725 126th PL NE
Kirkland, WA 98033

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

SECURED PARTIES

DEBTOR

Loctronix Corporation

Jerome E. Mathews

Address for Notices:
2620 Bellevue Way NE #119
Bellevue, WA 98004

daveaas
Digitally signed by daveaas
DN: cn=daveaas, o, ou,
email=daveaas@gmail.com,
serial
Date: 2012.12.19 12:26:01 -0800

David Aas

Address for Notices:
556 Heron Lane
Friday Harbor, WA 98250

Thomas C. Davis

Address for Notices:
22823 NE 14th St.
Sammamish, WA 98074

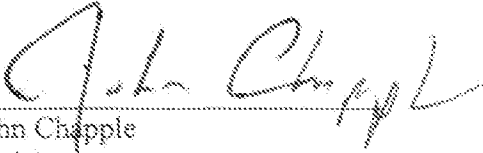
Engenix Technologies LLC

Michael B. Mathews
Its: Managing Member

Address for Notices:
10725 126th PL NE
Kirkland, WA 98033

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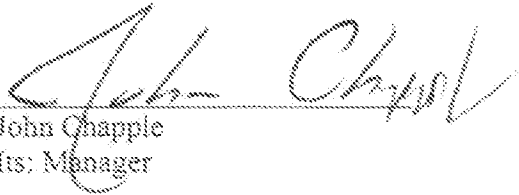
Hawkeye Investments LLC



John Chapple
Its: Manager

Address for Notices:
2365 Carillon Point
Kirkland, WA 98033

Hawkeye Investments II LLC



John Chapple
Its: Manager

Address for Notices:
2365 Carillon Point
Kirkland, WA 98033

Schedule A


Noteholders	Issue Date	Principal
David Aas	August 15, 2012	\$25,000.00
David Aas	September 20, 2012	\$25,000.00
Engenex Technologies LLC	December 31, 2007	\$91,949.02
Hawkeye Investments II LLC	August 15, 2012	\$25,000.00
Hawkeye Investments LLC	August 31, 2012	\$25,000.00
Jerome E Mathews	July 31, 2012	\$100,000.00
Thomas C Davis	June 30, 2011	\$134,293.00

The parties have executed this Secured Loan Agreement as of the date first written above.

BORROWER:

LENDER:

LOCTRONIX CORPORATION



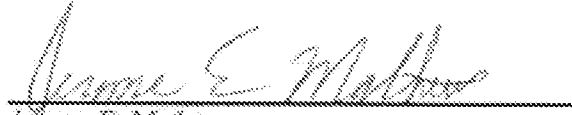
Michael B. Mathews

Its: CEO

Address for Notices:

18815 139th Ave NE Suite A-1

Woodinville, WA 98072



Jerome E. Mathews

Address for Notices:

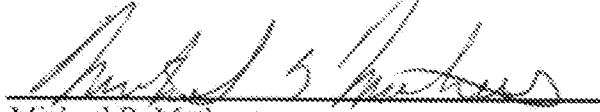
8620 Bellevue Way NE #119

Bellevue, WA 98004

IN WITNESS WHEREOF, the undersigned has executed this Secured Promissory Note.

BORROWER:

Loctronix Corporation

A handwritten signature in black ink, appearing to read "Michael B. Mathews", is written over a horizontal line.

Michael B. Mathews

Its: CEO

Principal Place of Business:
18815 139th Ave NE Suite A-1
Woodinville, WA 98072

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

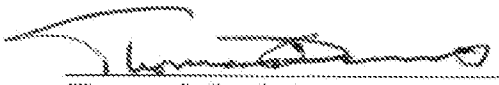
SECURED PARTIES


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2620 Bellevue Way NE #119
Bellevue, WA 98004


.....
David Aas

Address for Notices:
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Friday Harbor, WA 98250


Thomas C. Davis

Address for Notices:
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Sammamish, WA 98074

Engenex Technologies LLC

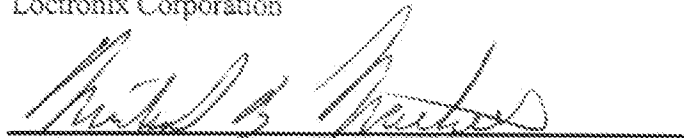

Michael B. Mathews
Its: Managing Member

Address for Notices:
10725 126th PL NE
Kirkland, WA 98033

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DEBTOR

Loctronix Corporation


Michael B. Mathews
Its: CEO

Principal Place of Business:
18815 139th Ave NE Suite A-1
Woodinville, WA 98072

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

SECURED PARTIES

DEBTOR

Loctronix Corporation

.....
Jerome E. Mathews

Address for Notices:
2620 Bellevue Way NE #119
Bellevue, WA 98004

daveaas

Digitally signed by daveaas
DN: cn=daveaas, o=Loctronix, email=daveaas@gmail.com, c=US
Date: 2012.12.19 12:29:01 -0800

.....
David Aas

Address for Notices:
556 Heron Lane
Friday Harbor, WA 98250

.....
Thomas C. Davis

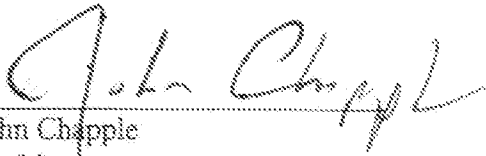
Address for Notices:
22823 NE 14th St.
Sammamish, WA 98074

Engenex Technologies LLC

.....
Michael B. Mathews
Its: Managing Member

Address for Notices:
10725 126th PL NE
Kirkland, WA 98033

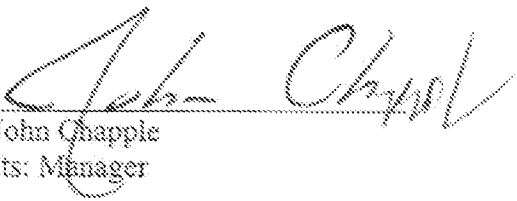
Hawkeye Investments LLC



John Chapple
Its: Manager

Address for Notices:
2365 Carillon Point
Kirkland, WA 98033

Hawkeye Investments II LLC



John Chapple
Its: Manager

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Kirkland, WA 98033