

**KOLISCH
HARTWELL
DICKINSON
McCORMACK
& HEUSER**

MRD
11/18/98

A Professional Corporation

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PATENTS AND TRADEMARKS



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November 17, 1998

Jon M. Dickinson
John M. McCormack*
Peter E. Heuser▪
James G. Stewart*
David A. Fanning*
David P. Cooper
Pierre C. Van Rysselberghe*
Walter W. Karnstein
Charles H. DeVoe
Stephen F. Gass, Ph.D.
Kasey C. Christie
David S. D'Ascenzo
Owen W. Dukelow*
James R. Abney, Ph.D.*
Nathan O. Jensen
Mark D. Alleman
James David Fulmer

Assistant Commissioner of Trademarks
Box Assignment
2900 Crystal Drive
Arlington, Virginia 22202-3513

Sir:

**RECORDATION FORM COVER SHEET
TRADEMARKS ONLY**

Enclosed for recordation in the records of the U.S. Patent and

Trademark Office is a copy of a document with particulars as follows:

Of Counsel:
J. Pierre Kolisch
M. H. Hartwell

• CA & D.C. Bars
* OR & CA Bars
• OR & WA Bars
▪ OR, CA & ID Bars

(1) Previous name of company:

Sunshine Northwest, Inc.
Oregon corporation

(2) Current name and address of company:

HealthNotes, Inc.
Oregon corporation
1125 S.E. Madison, Suite 209
Portland, Oregon 97214

OREGON ☒
200 Pacific Building
520 S.W. Yamhill Street
Portland, Oregon 97204
Telephone: 503/224-6655
Facsimile: 503/295-6679

(3) The nature of the conveyance is a Plan of Reorganization,
which was effective as of August 21, 1998.

CALIFORNIA ☐
420 Florence Street
Palo Alto, California 94301
Telephone: 650/325-8673
Facsimile: 650/325-5076

(4)	<u>Application Nos.</u>	<u>Filing Date</u>
	75/122,877	June 20, 1996
	75/117,653	June 12, 1996

IDAHO ☐
802 W. Bannock, Suite 403A
Boise, Idaho 83702
Telephone: 208/384-9166
Facsimile: 208/384-9169

E-mail: info@khdmh.com
URL: http://www.khdmh.com

11/20/1998 DNGUYEN 00000305 75122877
40.00 OP
25.00 OP
15.00 OP
01 FC:401
02 FC:482
03 FC:998

**TRADEMARK
REEL: 1817 FRAME: 0154**

(5) Any and all correspondence concerning this document should be addressed and mailed to the following:

David P. Cooper
Kolisch, Hartwell, Dickinson,
McCormack & Heuser
200 Pacific Building
520 S.W. Yamhill Street
Portland, Oregon 97204

(6) The total number of trademark applications involved in this conveyance is 2.

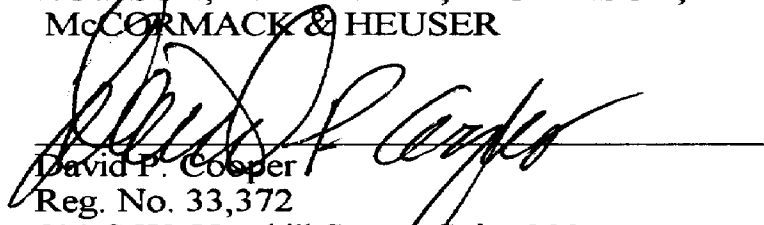
(7) Our check in the amount of \$80.00 to cover the recordation fees is enclosed, in accordance with 37 C.F.R. § 3.41.

(8) Please charge our Deposit Account No. 11-1540 for any additional fees which may be required. A duplicate copy of this form is attached.

(9) 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.

Respectfully submitted,

KOLISCH, HARTWELL, DICKINSON,
McCORMACK & HEUSER



David P. Cooper
Reg. No. 33,372
520 S.W. Yamhill Street, Suite 200
Portland, Oregon 97204
Telephone: (503) 224-6655
Facsimile: (503) 295-6679

of Attorneys for Applicant

TOTAL NUMBER OF PAGES
INCLUDING COVER SHEET,
ATTACHMENTS AND DOCUMENT: 7

PLAN OF REORGANIZATION

For the Formation of HealthNotes, Inc.

This Plan of Reorganization is entered into effective as of August 21, 1998 by and among Sunshine Northwest, Inc., an Oregon corporation ("Sunshine"), Schuyler W. Lininger, Jr. and Jane Bowman Lininger, who together own all of the outstanding capital stock of Sunshine (the "Sunshine Shareholders"), and HealthNotes, Inc., an Oregon corporation in formation ("NEWCO").

1. Background of the Reorganization.

1.1 Sunshine has for more than five years conducted a trade or business that consists of the publishing of a newsletter known as HealthNotes™ (the "Newsletter Business"). The Newsletter Business was not acquired by Sunshine in a purchase or other transaction in which gain or loss was recognized within five years prior to the effective date of this Plan of Reorganization.

1.2 In addition to the Newsletter Business, Sunshine has other trades or business in which it has been engaged for more than five years (the "Other Sunshine Businesses"). The Other Sunshine Businesses were not acquired by Sunshine in a purchase or other transaction in which gain or loss was recognized within five years prior to the effective date of this Plan of Reorganization.

1.3 The Sunshine Shareholders collectively own 100% of the outstanding capital stock of Sunshine and, prior to the Reorganization (as described below), each own 50% of the outstanding capital stock of Sunshine.

1.4 NEWCO was incorporated under the laws of the State of Oregon and is completing its formation through this Plan of Reorganization.

1.5 NEWCO intends to carry on the Newsletter Business. Following completion of this Plan of Reorganization, NEWCO intends to acquire all of the outstanding membership interests of Virtual Health, LLC (the "LLC Roll-Up"), to dissolve that limited liability company and to continue to operate the online data base business previously conducted by Virtual Health, LLC (the "Online Business"). The transfer of the Newsletter Business to NEWCO and this Plan of Reorganization are motivated by the opportunity for NEWCO to combine the Newsletter Business with the related Online Business and the ability of NEWCO to secure additional funding for the expansion of both businesses.

1.6 An investor has indicated a willingness to provide NEWCO with additional funding of between \$1,000,000 and \$2,000,000 (the "Financing"). The Financing is conditioned upon the Newsletter Business being part of NEWCO's business and the common stock ownership of NEWCO being held by the individuals who are the Sunshine Shareholders.

2. Terms of the Reorganization.

Pursuant to the terms and conditions of this Plan of Reorganization, NEWCO is being formed, assets and liabilities used in or arising out of the Newsletter Business are being transferred from Sunshine to NEWCO effective as of the close of business on August 21, 1998 and shares of common stock are being issued by NEWCO to the Sunshine Shareholders (collectively, the "Reorganization") as follows:

2.1 Sunshine hereby agrees to contribute into and assign and transfer to NEWCO all of Sunshine's assets used in or relating to the Newsletter Business except for cash on hand. It is

understood and agreed by the parties that the transferred assets include accounts receivable, newsletter subscriptions, copyrights, trademarks (including but not limited to HealthNotes™), trade names and other intellectual property rights, certain equipment, furniture and fixtures, Sunshine's rights under its office lease and under various other contracts relating to the Newsletter Business and all prepaid expenses relating thereto as set forth on Schedule A attached hereto.

2.2 NEWCO will assume all of Sunshine's accounts payable and accrued liabilities as of the effective date of the Reorganization and will assume all of Sunshine's obligations arising thereafter under newsletter subscriptions, the office lease and the various other contracts assigned to NEWCO by Sunshine as set forth on Schedule B attached hereto.

2.3 NEWCO will sublet to Sunshine the right to use one of the offices in the leased office space. This sublease shall be rent-free and shall continue for remainder of the term of the office lease including any renewals thereof or any new leases that NEWCO may entered into with respect to such office space.

2.4 NEWCO will issue an aggregate of 725,868 shares of NEWCO common stock (the "NEWCO Shares") to the Sunshine Shareholders as follows: to Schuyler W. Lininger, Jr. 461,848 shares and to Jane Bowman Lininger 264,020 shares. When issued, the NEWCO Shares will be fully paid and non-assessable.

2.5 Because the allocation of the NEWCO Shares between the Sunshine Shareholders is not in proportion to their respective ownership interests prior to the Reorganization, Schuyler W. Lininger, Jr. agrees to surrender to for cancellation by Sunshine such number of shares of Sunshine's common stock as necessary to result in the result, immediately following such cancellation, in the ownership interests of Schuyler W. Lininger, Jr. and Jane Bowman Lininger in Sunshine becoming 47.7 percent and 52.3 percent, respectively.

2.6 NEWCO will issue to Sunshine a promissory note (the "Accounts Receivable Note") with an initial principal amount equal to the book value at the time of the Reorganization of the accounts receivable contributed by Sunshine to NEWCO as part of the Reorganization. This Accounts Receivable Note will be payable within 10 days after the last day of the month in which NEWCO collects the accounts receivable. To the extent that NEWCO is unable to collect upon any of the assigned accounts receivable despite its exercise of commercially reasonable efforts to do so, the principal amount of the Accounts Receivable Note will be reduced by the amount of such uncollectable accounts receivable. This Accounts Receivable Note shall not bear interest so long as payments are made as the accounts receivable are collected by NEWCO. Upon any default in such payments, the entire unpaid balance of the Accounts Receivable Note shall bear interest at a rate of 10% per annum.

2.7 NEWCO will also issue to Sunshine a second promissory note (the "Equipment Note") in an amount equal to the fair market value of the equipment, furniture and fixtures contributed by Sunshine to NEWCO as part of the Reorganization. This Equipment Note will not bear interest so long as it is paid in full on or before September 30, 1998. If the Equipment Note is not paid in full on or before September 30, 1998, the entire unpaid balance of the Equipment Note shall bear interest at a rate of 10% per annum. The Equipment Note shall mature on March 1, 1999.

2.8 The parties understand and intend that the Reorganization shall be accomplished in accordance with Section 355 and Section 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended, and all applicable rules and regulations thereunder. As a result, Sunshine, the Sunshine Shareholders and NEWCO each intend and expect that the Reorganization shall be tax-free to except to the extent that Sunshine may realize taxable gain on either the transfer of the accounts receivable in exchange for the Accounts Receivable Note or the transfer of the equipment, furniture and fixtures in exchange for the Equipment Note.

3. Representations and Warranties of Sunshine and the Sunshine Shareholders.

In connection with the Reorganization, Sunshine and the Sunshine Shareholders, jointly and severally represent and warrant to NEWCO the following:

3.1 Sunshine and the Sunshine Shareholders are aware of NEWCO's business affairs and financial condition and have acquired sufficient information about NEWCO to reach an informed and knowledgeable decision to acquire the NEWCO Shares pursuant to the Reorganization. Sunshine and the Sunshine Shareholders have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of an investment in NEWCO.

3.2 The Sunshine Shareholders are acquiring the NEWCO Shares for their own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act").

3.3 The Sunshine Shareholders understand that the NEWCO Shares have not been registered under the Securities Act in reliance upon a specific exemption therefrom. The Sunshine Shareholders further acknowledge and understand that there is no current market for the resale of the NEWCO Shares nor is such a market likely to develop in the near future and that the NEWCO Shares must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. The Sunshine Shareholders further acknowledge and understand that NEWCO is under no obligation to register the NEWCO Shares. The Sunshine Shareholders understand that the certificates evidencing the NEWCO Shares will be imprinted with a legend that prohibits the transfer of the NEWCO Shares unless they are registered or such registration is not required in the opinion of counsel obtained at the transferor's expense and satisfactory to NEWCO.

3.4 The assets to be contributed, assigned or transferred by Sunshine pursuant to the Reorganization will be transferred to NEWCO free and clear of any lien, encumbrance, or other claim.

3.5 The person executing this Plan of Reorganization on behalf of Sunshine has all requisite power and authority to do so on behalf of Sunshine and to bind Sunshine to this Plan of Reorganization including the representations and warranties made herein.

4. Representations and Warranties of NEWCO.

In connection with the Reorganization, NEWCO represents and warrants to Sunshine and the Sunshine Shareholders the following:

4.1 Upon completion of this Plan of Reorganization, but prior to the LLC Roll-up, the NEWCO Shares will constitute 100% of the issued and outstanding capital stock of NEWCO

4.2 In connection with the LLC Roll-up, NEWCO will issue up to 5,619,132 additional shares of NEWCO common stock to the members of Virtual Health, LLC and certain authors of materials which have profit participation or bonus provisions under agreements with Virtual Health, LLC.

4.3 In connection with the Financing, NEWCO will issue up to 1,155,000 shares of Series A Preferred Stock and a warrant to acquire up to 1,357,466 shares of Series B Preferred Stock.

4.4 The person executing this Plan of Reorganization on behalf of NEWCO has all requisite power and authority to do so on behalf of NEWCO and to bind NEWCO to this Plan of Reorganization including the representations and warranties made herein.

5. Miscellaneous


5.1 This Agreement constitutes the entire agreement of the parties as to the subject matter hereof.

5.2 This Agreement shall be governed by and construed in accordance with the laws of the state of Oregon.


5.3 Each of the parties hereto agree to take such actions and execute such documents as any of the other parties may reasonably request in order to effectuate the terms of this Plan of Reorganization.

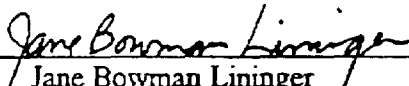
IN WITNESS WHEREOF, the undersigned have executed this Plan of Reorganization effective as of the 21st day of August, 1998.

Sunshine Northwest, Inc.


By: 
Schuyler W. Lininger, Jr., President

The Sunshine Shareholders


Schuyler W. Lininger, Jr.


Jane Bowman Lininger

HealthNotes, Inc.

By: 
Schuyler W. Lininger, Jr., President

Schedules

Schedule A—List of Assets

Schedule B—List of Liabilities

SCHEDULE A

Transferred Assets

A. All of Sunshine's accounts receivable as of the effective date of the Reorganization relating to the HealthNotes™ Newsletter business which consist solely of the following accounts receivable set forth on the attached list.

B. The equipment, furniture and fixtures set forth on the attached list.

C. All of Sunshine's rights with respect to newsletter subscriptions, the lease of office space at 1125 S.E. Madison, Portland, Oregon office lease, contracts and agreements with authors and all prepaid expenses relating thereto.

D. All of Sunshine's rights with respect to copyrights, trademarks (including but not limited to HealthNotes™), trade names and other intellectual property.