

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:		NEW ASSIGNMENT	
NATURE OF CONVEYANCE:		RELEASE BY SECURED PARTY	
CONVEYING PARTY DATA			
Name	Formerly	Execution Date	Entity Type
Strategic Business Initiatives, LLC		06/29/2010	LIMITED LIABILITY COMPANY: PENNSYLVANIA
RECEIVING PARTY DATA			
Name:	A-Life Medical, Inc.		
Street Address:	6195 Lusk Boulevard		
Internal Address:	Suite 120		
City:	San Diego		
State/Country:	CALIFORNIA		
Postal Code:	92121		
Entity Type:	CORPORATION: CALIFORNIA		
PROPERTY NUMBERS Total: 1			
Property Type	Number	Word Mark	
Registration Number:	2399582	LIFECODE	
CORRESPONDENCE DATA			
Fax Number:	(877)769-7945		
	<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>		
Phone:	(858) 678-5070		
Email:	tmdoctc@fr.com		
Correspondent Name:	Andrew M. Abrams		
Address Line 1:	P.O. Box 1022		
Address Line 4:	Minneapolis, MINNESOTA 55440-1022		
ATTORNEY DOCKET NUMBER:	10817-0004001		
NAME OF SUBMITTER:	Andrew M. Abrams		
Signature:	/andrew m. abrams/		

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**TRADEMARK
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Date:

09/03/2010

Total Attachments: 43

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PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT (this “**Agreement**”) is made as of May 15, 2009, by and among STRATEGIC BUSINESS INITIATIVES, LLC, a Pennsylvania limited liability company (together with its successors and assigns, the “**Secured Party**”), A-LIFE MEDICAL, INC., a California corporation (together with its successors and permitted assigns, the “**Borrower**”), and A-LIFE HOSPITAL CODING, LLC, a Delaware limited liability company (together with its successors and permitted assigns, the “**Subsidiary Grantor**”, and together with the Borrower, collectively and jointly and severally, the “**Grantors**”).

Background

The Borrower and the Secured Party entered into a Unit Purchase and Sale Agreement dated as of April 17, 2009 (the “**Purchase Agreement**”). In accordance with the Purchase Agreement, the Borrower has executed and delivered to the Secured Party that certain Secured Promissory Note, dated as of the date hereof (as the same may be amended, restated, modified, supplemented and/or replaced from time to time, the “**Note**”), pursuant to which the Secured Party has extended credit to the Borrower on the terms described therein. The Subsidiary Grantor is a wholly-owned subsidiary of Borrower and will benefit from the making of the loan, as represented by the Note, to the Borrower. The Subsidiary Grantor has guaranteed the obligations of the Borrower arising out of the Note, pursuant to this Agreement.

As a condition to the consummation of the Purchase Agreement and the willingness of the Secured Party to accept the Note, the Borrower and the Secured Party agreed to enter into this Agreement pursuant to which the Borrower’s obligations under the Note are secured by, among other things, a first priority security interest in favor of the Secured Party in the Collateral (as defined below).

Accordingly, each Grantor, intending to be legally bound, hereby agrees with the Secured Party as follows:

1. DEFINITIONS. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Uniform Commercial Code or the Note. The following terms, as used herein, shall have the following meanings:

“**Account**” shall have the meaning ascribed to it in the Uniform Commercial Code.

“**Acquisition**” shall mean: (a) an acquisition by any Grantor or any of its Subsidiaries, of an interest in any other Person that shall then become consolidated with any Grantor or its Subsidiaries in accordance with GAAP; or (b) an acquisition by any Grantor or any of its Subsidiaries of all or any substantial part of the assets of any other Person or of a division or line of business of any other Person, in any case, whether by purchase, lease, exchange, issuance of equity or debt securities, merger, reorganization, or any other method.

“**Chattel Paper**” shall have the meaning ascribed to it in the Uniform Commercial Code.

“Collateral” shall have the meaning ascribed to it in Section 2.

“Commercial Tort Claims” shall have the meaning ascribed to it in the Uniform Commercial Code and shall include those claims listed (including plaintiff, defendant and a description of the claim) on Schedule 10 attached hereto.

“Deposit Account” shall have the meaning ascribed to it in the Uniform Commercial Code.

“Document” shall have the meaning ascribed to it in the Uniform Commercial Code.

“Equipment” shall have the meaning ascribed to it in the Uniform Commercial Code.

“Escrow Service Agreement” shall mean the Escrow Service Agreement, dated as the date hereof, by and among the Grantors, the Secured Party, and Iron Mountain Intellectual Property Management, Inc.

“Event of Default” shall have the meaning given to such term in the Note.

“Fixtures” shall be used herein as defined in the Uniform Commercial Code.

“GAAP” shall mean generally accepted accounting principles in the United States consistently applied, as in effect from time to time.

“General Intangibles” shall have the meaning ascribed to it in the Uniform Commercial Code.

“Goods” shall have the meaning ascribed to it in the Uniform Commercial Code.

“Governmental Authority” shall mean any nation, sovereign or government, any state or other political subdivision thereof, any agency, authority or instrumentality thereof, and any entity or authority exercising executive, legislative, taxing, judicial, regulatory or administrative functions of or pertaining to government, whether federal, state, local, municipal or foreign and whether governmental or quasi-governmental, which has jurisdiction over the Grantors or the subject matter of this Agreement.

“Instruments” shall have the meaning ascribed to it in the Uniform Commercial Code.

“Inventory” shall have the meaning ascribed to it in the Uniform Commercial Code.

“Investment” shall mean, as applied to any Person (the “investor”): (a) any direct or indirect purchase or other acquisition by such investor of stock or other Securities of any other

Person; or (b) any direct or indirect loan, advance, or capital contribution by such investor to any other Person, including all indebtedness and accounts receivable owing to such investor from such other Person which are not current assets or did not arise from sales to such other Person in the ordinary course of business.

“Investment Property” shall have the meaning ascribed to it in the Uniform Commercial Code.

“Letter-of-Credit Right” shall have the meaning ascribed to it in the Uniform Commercial Code.

“Material Adverse Change” shall mean any material adverse change in:

- (a) the business, financial condition, operation, or properties of the Grantors and their Subsidiaries, taken as a whole; or
- (b) the ability of any Grantor to perform any of its material obligations under any of the Transaction Documents.

“Note” shall have the meaning ascribed to it in the “Background” section hereof.

“Permitted Indebtedness” shall have the meaning given to such term in Section 4(p)(i).

“Permitted Investments” shall have the meaning given to such term in Section 4(p)(iv).

“Permitted Liens” shall mean:

- (a) any liens incurred by Borrower securing Senior Indebtedness, up to the amount of such Senior Indebtedness;
- (b) any liens in favor of Secured Party;
- (c) any liens existing as of the date hereof and as set forth on Schedule 4;
- (d) purchase money liens or the interests of lessors under capital leases to the extent that (i) such lien attaches only to the asset purchased or acquired and the proceeds thereof and (ii) such lien only secures indebtedness that was incurred to acquire the asset purchased or acquired or any indebtedness incurred to refinance such indebtedness;
- (e) leases or subleases and licenses or sublicenses granted in the ordinary course of business, if the sublease, license or sublicense does not prohibit granting Secured Party a security interest therein in a manner enforceable under applicable law;

(f) liens arising by operation of law in favor of warehousemen, landlords, carriers, mechanics, materialmen, laborers, or suppliers, incurred in the ordinary course of business and not in connection with the borrowing of money;

(g) liens for taxes, fees, assessments or other government charges or levies, either not delinquent or being contested in good faith and for which such Grantor maintains adequate reserves on its books and records;

(h) deposits under worker's compensation, unemployment insurance, social security and other similar laws, or to secure the performance of bids, tenders or contracts, and other like obligations incurred in the ordinary course of business;

(i) liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default;

(j) liens in favor of banks and financial institutions arising in connection with such Grantor's deposit and/or securities accounts held at such institution with respect to customary fees, charges, and set-off rights of such institutions;

(k) zoning restrictions, easements, licenses, covenants and other restrictions which do not substantially affect the value or use of Grantors' real property;

(l) liens securing Subordinated Debt;

(m) liens incurred in connection with the extension, renewal or refinancing of the indebtedness secured by liens described in clauses (a) through (d) above, provided that any extension, renewal or replacement lien shall be limited to the property encumbered by the existing lien and the principal amount of the indebtedness may not increase; and

(n) cash collateral to secure standby letters of credit permitted under the terms of this Agreement, for the benefit of landlords in connection with leases of real property by Subsidiary Grantor.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental authority, or other entity.

"Pledged Interests" means the membership interests described on Schedule 8 attached hereto, and all other shares of capital stock or other equity, partnership, or membership interests or other Securities acquired by the Borrower after the date hereof.

"Proceeds" shall have the meaning ascribed to it in the Uniform Commercial Code.

"Secured Obligations" shall mean any amounts due from time to time in respect of principal, interest and fees under the Note.

"Securities" shall have the meaning ascribed to it in the Uniform Commercial Code.

“Senior Indebtedness” shall mean, unless expressly subordinated to or made on a parity with the amounts due under the Note, the principal of (and premium, if any), unpaid interest on and amounts reimbursable, fees, expenses, costs of enforcement and other amounts due in connection with, (i) indebtedness for borrowed money of the Borrower, to banks, commercial finance lenders or other lending institutions regularly engaged in the business of lending money (excluding (A) any indebtedness convertible into equity securities of the Grantor and (B) indebtedness in connection with capital leases or operating leases used solely for the purchase, finance or acquisition of equipment and where such indebtedness is secured solely by such equipment), including, without limitation in connection with a working capital line of credit obtained by Maker in an amount not to exceed an aggregate principal amount of \$1,000,000; and (ii) any extension, refinance, renewal, replacement, defeasance or refunding of any indebtedness described in clause (i); provided, however, that no indebtedness incurred by Borrower which causes the aggregate principal amount of such indebtedness outstanding to exceed \$1,000,000 (but only to the extent of such excess) shall be Senior Indebtedness.

“Software” shall have the meaning ascribed to it in the Uniform Commercial Code.

“Subordinated Debt” shall mean any debt subordinated to Secured Party on terms and conditions reasonably satisfactory to Secured Party.

“Subsidiary” shall mean with respect to any Person (referred to in this definition as the “parent”): (a) any other Person of which more than 50% of the issued and outstanding equity having ordinary voting power to elect a majority of the board of directors or other governing body is directly or indirectly owned or controlled by such parent; or (b) any other Person of which more than 50% of the voting equity interests are directly or indirectly owned or controlled by such parent.

“Supporting Obligations” shall have the meaning ascribed to it in the Uniform Commercial Code.

“Transaction Documents” shall mean this Agreement, the Note, the Purchase Agreement, and the Escrow Service Agreement, each as may be amended, restated, or otherwise from time to time.

“Uniform Commercial Code” shall mean the Uniform Commercial Code in effect on the date hereof and as amended from time to time, and as enacted in the Commonwealth of Pennsylvania or in any state or states which, pursuant to the Uniform Commercial Code as enacted in the Commonwealth of Pennsylvania, has jurisdiction with respect to all, or any portion of, the Collateral or this Agreement, from time to time. It is the intent of the parties that the definitions set forth above should be construed in their broadest sense so that Collateral will be construed in its broadest sense.

2. **GRANT OF SECURITY INTEREST.** As security for the payment and performance of the Secured Obligations, each Grantor hereby pledges, hypothecates, delivers to the Secured Party, and creates in favor of the Secured Party, a first priority security interest in and to, all of such Grantor’s right, title and interest in and to all the following property, in all its

forms, in each case whether now or hereafter existing, whether now owned or hereafter acquired, created or arising, and wherever located (collectively, but without duplication, the “**Collateral**”):

- (a) All Equipment;
- (b) All Inventory and other Goods;
- (c) All Accounts;
- (d) All General Intangibles, including, without limitation, the patents and patent applications listed on Schedule 5 attached hereto, the trademarks and trademark applications listed on Schedule 6 attached hereto, the registered copyrights listed on Schedule 7 attached hereto, the licenses for the use of any patents, trademarks, and copyrights listed on Schedule 9 attached hereto;
- (e) All Fixtures;
- (f) All Documents, Letter-of-Credit Rights, and Chattel Paper;
- (g) All Deposit Accounts;
- (h) All Instruments and Investment Property, including, without limitation, the Pledged Interests listed on Schedule 8 attached hereto;
- (i) All Commercial Tort Claims;
- (j) All Supporting Obligations;
- (k) All Securities; and
- (l) All Proceeds of any and all of the foregoing.

Notwithstanding anything contained in this Agreement to the contrary, the term “Collateral” shall not include: (i) voting stock of any controlled foreign corporation as defined in the Internal Revenue Code of 1986, as in effect from time to time, solely to the extent that such stock represents more than 65% of the outstanding voting stock of such entity; (ii) property that is subject to a lien permitted by clauses (d) or (n) of the definition of Permitted Liens in which the granting of a security interest therein is prohibited by or would constitute a default under any agreement or document governing such property, provided that upon the termination or lapsing of any such prohibition, such property shall automatically be part of the Collateral; (iii) any application for a trademark (including, without limitation, intent to use trademark applications and any goodwill associated therewith) that would otherwise be deemed invalidated, cancelled or abandoned due to the granting of a lien thereon unless and until such time as the granting of such lien will not affect the validity of such trademark; and (iv) any rights or interests in any lease, license, contract, or agreement, as such, or the assets subject thereto if under the terms of such lease, license, contract, or agreement, or applicable law with respect thereto, the valid grant of a lien therein or in such assets to Secured Party is prohibited (but only to the extent that such prohibition is enforceable under applicable law, including Sections 9-406, 9-407 and 9-408 of

the Uniform Commercial Code) and such prohibition has not been or is not waived or the consent of the other party to such lease, license, contract, or agreement has not been or is not otherwise obtained or under applicable law such prohibition cannot be waived.

3. REPRESENTATIONS AND WARRANTIES OF THE GRANTORS. The Borrower and the Subsidiary Grantor, each on behalf of itself, represents and warrants as follows, provided, that the following representations and warranties shall survive execution of this Agreement and shall not be affected or waived by any examination or inspection made by the Secured Party:

(a) Status. The Borrower is a corporation duly incorporated and in good standing in the State of California. The Subsidiary Grantor is a limited liability company, duly organized and in good standing in the State of Delaware. The organizational identification number for Borrower is C1900176 and the organizational identification number for Subsidiary Grantor is 4381811. Each Grantor has perpetual existence and the power and authority to own its property and assets and to transact the business in which it is engaged or presently proposes to engage. Each Grantor has qualified to do business in each state or jurisdiction where its business or operations so require, except where the failure to do so could not be reasonably be expected to result in a Material Adverse Change.

(b) Authority to Execute Agreement; Binding Agreement. Each Grantor has the corporate or other power to execute, deliver and perform its obligations under this Agreement and, with respect to the Borrower, the Note (including, without limitation, the right and power to give the Secured Party a security interest in the Collateral) and has taken all necessary corporate and other action to authorize the execution, delivery and performance of this Agreement and, with respect to the Borrower, the Note. This Agreement has been duly executed by each Grantor. This Agreement constitutes the legal, valid and binding obligation of each Grantor, enforceable against each Grantor in accordance with its terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization and similar laws of general application relating to or affecting the rights and remedies of creditors.

(c) Grantors' Title. Except for the security interests granted hereunder, each Grantor is, as to all Collateral presently owned, and shall be as to all Collateral hereafter acquired, the owner or in the case of leased or licensed assets, the lessee or licensee, of said Collateral free from any Lien other than Permitted Liens.

(d) Taxes and Assessments. All assessments and taxes, due or payable by, or imposed, levied or assessed against each Grantor or any of its property, real or personal, tangible or intangible, have been paid, except those currently being contested in good faith by appropriate proceedings and, to the extent required by GAAP, a reserve or other appropriate provision has been made therefor.

(e) Location of Collateral. The Collateral is located at the locations specified on Schedule 1 hereto. Each Grantor is the record owner of or the lessee with respect to the real property where such Collateral is located, and there exist no mortgages or other Liens on any such real property except as specifically set forth on said Schedule 1.

(f) Location of Grantors. The location of the chief executive office of each Grantor as well as its state of formation are specified on Schedule 2 attached hereto. Also listed on Schedule 2 is each other location where each Grantor maintains a place of business.

(g) Instruments and Certificates. All Instruments and all certificates representing Securities that are included in the Collateral, together with all necessary endorsements, have been delivered to the Secured Party.

(h) Names Used by Grantors. (i) The actual name of each Grantor is the name set forth in the preamble above; (ii) no Grantor has had any name other than that stated in the preamble hereto or as set forth on Schedule 3 for the preceding five years; and (iii) no entity has merged into any Grantor or been acquired by any Grantor within the past five years except as set forth on Schedule 3.

(i) Perfected Security Interest. This Agreement creates a valid, first priority security interest in the Collateral, subject only to Permitted Liens, securing payment of the Secured Obligations. Upon the filing of the Uniform Commercial Code financing statements delivered by the Grantors to the Secured Party, in the jurisdiction of formation or incorporation of each Grantor and the recordation of this Agreement (or a short form hereof) at the United States Copyright Office, all security interests which may be perfected by filing shall have been duly perfected. Except for the filing of the Uniform Commercial Code financing statements referred to in the preceding sentence and the delivery of the Instruments referred to in paragraph (g) above, no action is necessary to create, perfect or protect such security interest to the extent such security interest can be perfected by the actions required under this Agreement. Without limiting the generality of the foregoing, except for the filing of said financing statements, no consent of any third parties and no authorization, approval or other action by, and no notice to or filing with any Governmental Authority or regulatory body is required for (i) the execution, delivery and performance of this Agreement, (ii) the creation or perfection of the security interest in the Collateral or (iii) the enforcement of the Secured Party's rights hereunder.

(j) Absence of Conflicts with Other Agreements, Etc. Neither the pledge of the Collateral hereunder nor any of the provisions hereof (including, without limitation, the remedies provided hereunder) violates any of the provisions of any organizational documents of any Grantor, or any other material agreement to which any Grantor or any of its property is a party or is subject, or in any material respects, any judgment, decree, order or award of any court, governmental body or arbitrator or any applicable law, rule or regulation applicable to the same.

(k) Account Debtors. None of the account debtors or other Persons obligated on any of the Collateral is a Governmental Authority covered by the Federal Assignment of Claims Act or any similar federal, state or local statute or rule in respect of such Collateral.

(l) Intellectual Property. Schedules 5, 6, and 7 list all of the material or registered patents, patent applications, trademarks, trademark applications and copyrights owned by any of the Grantor as of the date hereof. Schedule 9 lists all material licenses as to which any Grantor is the licensee thereof for the use of any patents, trademarks and copyrights as of the date hereof. All material patents and trademarks of the Grantors have been duly recorded at the

United States Patent and Trademark Office and all material copyrights of the Grantors have been duly recorded at the United States Copyright Office.

4. COVENANTS OF GRANTORS. Each Grantor covenants that:

(a) Filing of Financing Statements and Preservation of Interests. Immediately upon execution hereof, each Grantor shall cause to be duly filed in the jurisdiction of formation or incorporation of each Grantor, Uniform Commercial Code financing statements and all filings with the United States Copyright Office and the United States Patent and Trademark Office, in each case in form and substance satisfactory to the Secured Party. Without limiting the obligation of the Grantors set forth in the preceding sentence, each Grantor hereby authorizes the Secured Party, and appoints the Secured Party as its attorney-in-fact, to file in such office or offices as the Secured Party deems necessary or desirable such financing and continuation statements and amendments and supplements thereto (including, without limitation, an "all assets" filing), and such other documents as the Secured Party may require to perfect, preserve and protect the security interests granted herein and ratifies all such actions taken by the Secured Party.

(b) Subject to the rights of any holder of Senior Indebtedness or the terms and conditions of any subordination agreement between Secured Party and any holders of Senior Indebtedness, Grantors agree that:

(i) Delivery of Instruments, Etc. At any time and from time to time that any Collateral consists of Instruments, certificated securities or other items that require or permit possession by the Secured Party to perfect the security interest created hereby, the applicable Grantor shall, at the Secured Party's request, deliver such Collateral to the Secured Party.

(ii) Chattel Paper. Each Grantor shall, at the Secured Party's request, cause all Chattel Paper constituting Collateral to be delivered to the Secured Party, or, if such delivery is not possible, then to cause such Chattel Paper to contain a legend noting that it is subject to the security interest created by this Agreement.

(iii) Letter-of-Credit Rights. To the extent that any Collateral consists of Letter-of-Credit Rights that is (i) not a Supporting Obligation of any Collateral, and (ii) in excess of \$100,000, the applicable Grantor shall notify the Secured Party thereof and, at the request of the Secured Party, cause the issuer of each underlying letter of credit to consent to the assignment to the Secured Party to grant control pursuant to Section 9-107 of the Uniform Commercial Code.

(iv) Collateral In Possession of Third Parties. To the extent that any Collateral (other than equipment out for repair or maintenance) is in the possession of any third party, the applicable Grantor shall join with the Secured Party in notifying such third party of the Secured Party's security interest and shall make commercially reasonable efforts to obtain an acknowledgement from such third party that it is holding the Collateral for the benefit of the Secured Party.

(c) Commercial Tort Claims. If any Grantor shall at any time hold or acquire a Commercial Tort Claim in an amount estimated to exceed \$250,000, such Grantor shall promptly notify the Secured Party in a writing signed by such Grantor of the particulars thereof and grant to the Secured Party in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to the Secured Party.

(d) Notice of Changes in Representations. Each Grantor shall provide contemporaneous notification to the Secured Party of (i) any change in its jurisdiction of formation or incorporation from that referred to in Section 3(a), or (ii) any change in its legal name or organizational identification number, if any, or type of organizational or legal structure.

(e) Use and Condition of Equipment. Each item of Equipment will be maintained in good repair, working order and condition, ordinary wear and tear excepted, and the applicable Grantor will provide all maintenance service and repairs necessary for such purpose.

(f) Insurance. Each Grantor shall maintain with financially sound and reputable insurers, insurance with respect to the Collateral against loss or damage of the kinds and in the amounts customarily insured against by entities of established reputation having similar properties similarly situated and in such amounts as are customarily carried under similar circumstances by other such Persons and otherwise as is prudent for Persons engaged in similar businesses but in any event sufficient to cover the full replacement cost thereof. Each Grantor shall cause each insurance policy issued in connection herewith to provide, and the insurer issuing such policy to certify to the Secured Party that (a) the Secured Party will be named as lender loss payee and additional insured under each such insurance policy; (b) if such insurance be proposed to be cancelled or materially changed for any reason whatsoever, such insurer will promptly notify the Secured Party and such cancellation or change shall not be effective as to the Secured Party for at least 30 days after receipt by the Secured Party of such notice, unless the effect of such change is to extend or increase coverage under the policy; and (c) the Secured Party will have the right (but no obligation) at its election to remedy any default in the payment of premiums within 30 days of notice from the insurer of such default. Copies of such policies or the related certificates, in each case, naming the Secured Party as lender loss payee shall be delivered to the Secured Party at least annually and at the time any new policy of insurance is issued.

(g) Transfer of Collateral. No Grantor shall sell, assign, transfer, encumber or otherwise dispose of (collectively, a "**Transfer**") any Collateral without the prior written consent of the Secured Party, except for any (i) Transfers of Inventory in the ordinary course of business; (ii) Transfers of worn-out, surplus or obsolete Equipment; (iii) Transfers in connection with (A) Permitted Liens or (B) Permitted Investments, (C) the payment of cash for any fractional shares upon the conversion or exercise of such Grantor's convertible securities or warrants; (iv) Transfers consisting of licenses permitted under clause (e) of the definition of Permitted Liens; and (v) Transfers of property between the Grantors.

(h) Taxes and Assessments. Each Grantor shall promptly pay when due and payable, all taxes and assessments imposed upon the Collateral or operations or business of such

Grantor, subject to the right, if any, to contest such tax in good faith and provided adequate reserves have been made for such taxes.

(i) Inventory. No Grantor shall return any Inventory to the supplier thereof, except for damaged or unsalable Inventory or otherwise in the ordinary course of such Grantor's business. Without limiting the generality of the foregoing, in the event any Grantor becomes a "debtor in possession" as defined in 11 U.S.C. §1101 (or any successor thereto), such Grantor agrees, to the extent permitted by applicable Law, not to move pursuant to 11 U.S.C. §546 (or any successor thereto) for permission to return goods to any creditor which shipped such goods to such Grantor without the Secured Party's written consent and each Grantor hereby waives any rights to return such Inventory arising under 11 U.S.C. §546(h), or any successor section thereto.

(j) Defense of Secured Party's Rights. Each Grantor warrants and will defend the Secured Party's right, title and security interest in and to the Collateral against the claims of any Person.

(k) Inspections. Each Grantor will permit the Secured Party, or its designee, to inspect the Collateral, at reasonable times and upon reasonable notice, but not more than once per year (unless and Event of Default has occurred and is continuing) and wherever located, at Grantors' sole cost and expense.

(l) Intellectual Property. Without limiting the generality of the other obligations of the Grantors hereunder, each Grantor shall promptly (i) notify the Secured Party if it causes to be registered at the United States Copyright Office any of its material copyrights and shall cause the security interest contemplated hereby with respect to such copyrights to be duly recorded at such office, (ii) at the Secured Party's request, cause the security interest contemplated hereby with respect to all Intellectual Property registered at the United States Copyright Office or United States Patent and Trademark Office to be duly recorded at the applicable office, and (iii) give the Secured Party notice whenever it acquires (whether absolutely or by license) or creates any additional material Intellectual Property.

(m) Power of Attorney. Each Grantor has duly executed and delivered to the Secured Party a power of attorney (a "Power of Attorney") in substantially the form attached hereto as Annex A. The power of attorney granted pursuant to the Power of Attorney is a power coupled with an interest and shall be irrevocable until full and indefeasible payment of the Secured Obligations (other than inchoate indemnity obligations). The powers conferred on the Secured Party under the Power of Attorney are solely to protect the Secured Party's interests in the Collateral and shall not impose any duty upon the Secured Party to exercise any such powers. The Secured Party agrees that (i) except for the powers granted in clause (i) of the Power of Attorney, it shall not exercise any power or authority granted under the Power of Attorney unless an Event of Default has occurred and is continuing, and (ii) the Secured Party shall account for any moneys received by the Secured Party in respect of any foreclosure on or disposition of Collateral pursuant to the Power of Attorney provided that the Secured Party shall not have any duty as to any Collateral, and the Secured Party shall be accountable only for amounts that it actually receives as a result of the exercise of such powers. **THE SECURED PARTY OR ITS RESPECTIVE AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, OR REPRESENTATIVES SHALL NOT BE RESPONSIBLE TO THE GRANTORS FOR ANY**

ACT OR FAILURE TO ACT UNDER ANY POWER OF ATTORNEY OR OTHERWISE, EXCEPT IN RESPECT OF DAMAGES ATTRIBUTABLE SOLELY TO THEIR OWN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AS FINALLY DETERMINED BY A COURT OF COMPETENT JURISDICTION, NOR FOR ANY PUNITIVE, EXEMPLARY, INDIRECT OR CONSEQUENTIAL DAMAGES.

(n) Other Assurances. Each Grantor agrees that from time to time, at the joint and several expense of the Grantors, it will promptly execute and deliver all such further instruments and documents, and take all such further action as may be necessary or desirable, or as the Secured Party may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Secured Party to exercise and enforce its rights and remedies hereunder and with respect to any Collateral or to otherwise carry out the purposes of this Agreement.

(o) Notice of Disputes and Other Matters. The Grantors shall promptly give written notice to the Secured Party of any actions, proceedings or claims commenced or asserted in writing against either or both Grantors or their Subsidiaries in which the amount in damages could reasonably be expected to exceed \$100,000 and that is not fully covered by insurance, or which, if not solely a claim for monetary damages, could reasonably be expected to result in a Material Adverse Change.

(p) Business Covenants. The Grantors covenant, from the date of this Agreement, and for so long as any of the Secured Obligations (other than inchoate indemnity obligations) remain unpaid, they shall comply with each of the covenants set forth below:

(i) Indebtedness. The Grantors shall not, and shall not permit any of their Subsidiaries to, directly or indirectly, create, incur, assume, guarantee, permit to exist or otherwise become or remain directly or indirectly liable with respect to any indebtedness other than each of the following (collectively, "**Permitted Indebtedness**"):

- (1) indebtedness in favor of Secured Party;
- (2) Senior Indebtedness;
- (3) indebtedness owing to any Grantor or to any wholly-owned Subsidiary of any Grantor;
- (4) Subordinated Debt;
- (5) indebtedness to trade creditors incurred in the ordinary course of business;
- (6) indebtedness secured by liens permitted under clause (d) of the definition of Permitted Liens;
- (7) indebtedness existing on the date hereof and as set forth on Schedule 11;

(8) indebtedness incurred in the ordinary course of business with respect to performance, surety, statutory and appeal bonds;

(9) guaranties of any indebtedness that is otherwise permitted by this Section 4(p)(i);

(10) reimbursement obligations in connection with letters of credit in favor of landlords in connection with leases of real property by Subsidiary Grantor; and

(11) extensions, refinancings, modification, amendments and restatements of any items of Permitted Indebtedness (1) through (10) above, provided that the then-outstanding principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Grantor or its Subsidiaries, as the case may be.

(ii) Liens. The Grantors shall not, and shall not permit any of their Subsidiaries to, directly or indirectly, create, incur, assume or permit to exist any lien on or with respect to any property or assets of any Grantor or any of its Subsidiaries, except Permitted Liens.

(iii) Negative Pledge. The Grantors shall not, and shall not permit any of their Subsidiaries to, agree with any Person to restrict or place limitations on the right of any Grantor, or any of its Subsidiaries to create, incur, assume or permit to exist any lien on or with respect to any property or asset of any Grantor or any of its Subsidiaries (other than (i) customary restrictions that would be unenforceable or ineffective pursuant to Section 9-406, 9-407 and 9-408 of the Uniform Commercial Code in leases, licenses and other contracts restricting the assignment thereof; (ii) restrictions in agreements governing property subject to a lien that is otherwise permitted pursuant to clauses (d) or (n) of the definition of Permitted Liens; (iii) restrictions in agreements relating to indebtedness permitted pursuant to clauses (2) and (4) of the definition of Permitted Indebtedness; and (iv) customary provisions in joint venture agreements, collaboration agreements and other similar agreements applicable to joint ventures or collaborations entered into in the ordinary course of business and otherwise permitted hereunder).

(iv) Investments, Loans, Acquisitions, Etc. The Grantors shall not, and shall not permit any of their Subsidiaries to, directly or indirectly, make or permit to exist any Investment or make any Acquisition, except for (collectively "**Permitted Investments**"):

(1) investments existing on the date hereof, as set forth on Schedule 12;

(2) investments in direct or indirect, wholly-owned Subsidiaries or any Grantor;

(3) travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business;

(4) non-cash loans to employees, officers and directors of Grantor for the purpose of purchasing equity interests in Grantor pursuant to employee stock

purchase plans or agreements, so long as the proceeds of such loans are used in their entirety to purchase such equity interests;

(5) security deposits and other similar advances made on commercially reasonable terms in the ordinary course of business;

(6) advances made in connection with the purchase of goods or services in the ordinary course of business;

(7) investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business;

(8) investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not affiliates, in the ordinary course of business;

(9) deposit accounts maintained in the ordinary course of business;

(10) (i) marketable direct obligations issued or unconditionally guaranteed by the United States or its agency or any state maturing within one (1) year from its acquisition, (ii) commercial paper maturing no more than one (1) year after its creation and having its highest rating from either Standard & Poor's Corporation or Moody's Investors Services, Inc., (iii) certificates of deposit issued maturing no more than one (1) year after issue;

(11) non-cash joint ventures or strategic alliances in the ordinary course of such Grantor's business consisting of the non-exclusive licensing of intellectual property, the development of technology, or the providing of technical support; and

(12) other investments not otherwise permitted by this Section 4(p)(iv), not to exceed \$250,000 in the aggregate over the term of this Agreement.

(v) Sale-Leasebacks. Except for transactions permitted by clause (d) of the definition of Permitted Liens, the Grantors shall not, and shall not permit any of their Subsidiaries to, directly or indirectly, sell or otherwise transfer, in one or more related transactions, any property (whether real, personal, or mixed) and thereafter rent or lease such transferred property or substantially identical property.

(vi) Change of Control. The Grantors shall not, and shall not permit any of their Subsidiaries to, directly or indirectly, permit any Change of Control (as defined in the Note) to occur, unless the Secured Obligations have been indefeasibly paid in full, as required under the Note.

(vii) Payment of Taxes and Claims. The Grantors shall, and shall cause each of their Subsidiaries to, pay all taxes, assessments and other governmental charges imposed upon them or any of their respective properties or assets in respect of any of their franchises,

business, income or profits before any penalty or interest accrues thereon, and all claims for sums that have become due and payable and that by law have or might become a lien upon any of their respective properties or assets; provided that no such charge or claim need be paid if being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and if a reserve or other appropriate provision, if any, as shall be required by GAAP, shall have been made therefor and, if the filing of a bond or other indemnity is necessary to avoid the creation of a lien against any of the assets of any Grantor or any of its Subsidiaries, such bond shall have been filed or indemnity provided.

5. REMEDIES UPON DEFAULT.

(a) Upon the occurrence and during the continuation of an Event of Default, the Secured Party may exercise, in addition to any other rights and remedies provided herein, under other contracts and under law, all the rights and remedies of a secured party under the Uniform Commercial Code. Without limiting the generality of the foregoing, upon the occurrence and during the continuation of an Event of Default, (i) at the request of the Secured Party, each Grantor shall, at its cost and expense, assemble the Collateral owned or used by it as directed by the Secured Party; (ii) the Secured Party shall have the right (but not the obligation) to notify any account debtors and any obligors under Instruments or Accounts to make payments directly to the Secured Party and to enforce the Grantors' rights against account debtors and obligors; (iii) the Secured Party may (but is not obligated to), without notice except as provided below, sell the Collateral at public or private sale, on such terms as the Secured Party deems to be commercially reasonable; (iv) the Secured Party may (but is not obligated to) direct any financial intermediary or any other Person holding Investment Property to transfer the same to the Secured Party or its designee; and (v) the Secured Party may (but is not obligated to) transfer any or all Intellectual Property registered in the name of any Grantor at the United States Patent and Trademark Office and/or Copyright Office into the name of the Secured Party or any designee or any purchaser of any Collateral. Each Grantor agrees that ten days notice of any sale referred to in clause (iii) above shall constitute sufficient notice. The Secured Party may purchase Collateral at any such sale. The Grantors shall be liable to the Secured Party for any deficiency amount.

(b) The Secured Party may comply with any applicable law in connection with a disposition of Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral. The Secured Party may sell the Collateral without giving any warranties and may specifically disclaim such warranties. If the Secured Party sells any of the Collateral on credit, the Borrower will only be credited with payments actually made by the purchaser. In addition, each Grantor waives any and all rights that it may have to a judicial hearing in advance of the enforcement of the Secured Party's rights and remedies hereunder, including, without limitation, the Secured Party's right following the existence of an Event of Default to take immediate possession of the Collateral and to exercise its rights and remedies with respect thereto.

(c) For the purpose of enabling the Secured Party to further exercise rights and remedies under this Section 5 or elsewhere provided by agreement or applicable Law, each Grantor hereby grants to the Secured Party an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to such Grantor) to use, license or sublicense

following the existence of an Event of Default, any Intellectual Property now owned or hereafter acquired by such Grantor, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof.

6. OBLIGATIONS ABSOLUTE.

(a) Change of Circumstance. EXCEPT AS SET FORTH HEREIN, THE RIGHTS OF THE SECURED PARTY HEREUNDER AND THE OBLIGATIONS OF THE GRANTORS HEREUNDER SHALL BE ABSOLUTE AND UNCONDITIONAL, SHALL NOT BE SUBJECT TO ANY COUNTERCLAIM, SETOFF, RECOUPMENT OR DEFENSE BASED UPON ANY CLAIM THAT ANY GRANTOR OR ANY OTHER PERSON MAY HAVE AGAINST THE SECURED PARTY AND SHALL REMAIN IN FULL FORCE AND EFFECT UNTIL FULL AND INDEFEASIBLE SATISFACTION OF THE SECURED OBLIGATIONS. Without limiting the generality of the foregoing, the obligations of the Grantors shall not be released, discharged or in any way affected by any circumstance or condition (whether or not the applicable Grantor shall have any notice or knowledge thereof) including, without limitation, any amendment or modification of or supplement to the Note (including, without limitation, increasing the amount or extending the maturity of the Secured Obligations); any waiver, consent, extension, indulgence or other action or inaction under or in respect of any such agreements or instruments, or any exercise or failure to exercise of any right, remedy, power or privilege under or in respect of any such agreements or instruments, or any exercise or failure to exercise of any right, remedy, power or privilege under or in respect of any such agreements or instruments; any invalidity or unenforceability, in whole or in part, of any term hereof or of the Note; any failure on the part of Borrower or any other Person for any reason to perform or comply with any term of the Note; any furnishing or acceptance of any additional security or guaranty; any release of any Grantor or any other Person or any release of any or all security or any or all guarantees for the Secured Obligations, whether any such release is granted in connection with a bankruptcy or otherwise; any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or similar proceeding with respect to any Grantor or any other Person or their respective properties or creditors; the application of payments received by the Secured Party from any source that were lawfully used for some other purpose, which lawfully could have been applied to the payment, in full or in part, of the Secured Obligations; or any other occurrence whatsoever, whether similar or dissimilar to the foregoing. Without limiting the generality of the foregoing, at any time that the Note is amended to increase the amount of the Obligations thereunder, the amount of the Secured Obligations shall be accordingly increased.

(b) No Duty To Marshal Assets. The Secured Party shall have no obligation to marshal any assets in favor of any Grantor or any other Person or against or in payment of any or all of the Secured Obligations.

(c) Waiver of Right of Subrogation, Etc. Each Grantor hereby waives any and all rights of subrogation, reimbursement, or indemnity whatsoever in respect of such Grantor arising out of remedies exercised by the Secured Party hereunder until full and indefeasible payment of the Secured Obligations.

(d) Other Waivers. Each Grantor hereby waives promptness, diligence and notice of acceptance of this Agreement. In connection with any sale or other disposition of Collateral, to the extent permitted by applicable law, each Grantor waives any right of redemption or equity of redemption in the Collateral. Each Grantor further waives presentment and demand for payment of any of the Secured Obligations, protest and notice of protest, dishonor and notice of dishonor or notice of default or any other similar notice with respect to any of the Secured Obligations, and all other similar notices to which any Grantor might otherwise be entitled. The Secured Party is under no obligation to pursue any rights against third parties with respect to the Secured Obligations and each Grantor hereby waives any right it may have to require otherwise. Each Grantor (to the extent that it may lawfully do so) covenants that it shall not at any time insist upon or plead, or in any manner claim or take the benefit of, any stay, valuation, appraisal or redemption now or at any time hereafter in force that, but for this waiver, might be applicable to any sale made under any judgment, order or decree based on this Agreement; and each Grantor (to the extent that it may lawfully do so) hereby expressly waives and relinquishes all benefit of any and all such laws and hereby covenants that it will not hinder, delay or impede the execution of any power in this Agreement available to the Secured Party, but that it will suffer and permit the execution of every such power as though no such law or laws had been made or enacted.

(e) Each Grantor further waives to the fullest extent permitted by law any right it may have under the constitution of the Commonwealth of Pennsylvania (or under the constitution of any other state in which any of the Collateral or any Grantor may be located), or under the Constitution of the United States of America, to notice (except for notice specifically required hereby) or to a judicial hearing prior to the exercise of any right or remedy provided by this Agreement to the Secured Party, and waives its rights, if any, to set aside or invalidate any sale duly consummated in accordance with the foregoing provisions hereof on the grounds (if such be the case) that the sale was consummated without a prior judicial hearing.

(f) EACH GRANTOR WAIVER UNDER THIS SECTION 6 HAS BEEN MADE VOLUNTARILY, INTELLIGENTLY AND KNOWINGLY AND AFTER SUCH GRANTOR HAS BEEN APPRISED AND COUNSELED BY ITS ATTORNEY AS TO THE NATURE THEREOF AND ITS POSSIBLE ALTERNATIVE RIGHTS.

7. NO IMPLIED WAIVERS. No failure or delay on the part of the Secured Party in exercising any right, power or privilege under this Agreement or the Note and no course of dealing between the Grantor, on the one hand, and the Secured Party, on the other hand, shall operate as a waiver of any such right, power or privilege. No single or partial exercise of any right, power or privilege under this Agreement or the Note precludes any other or further exercise of any such right, power or privilege or the exercise of any other right, power or privilege. The rights and remedies expressly provided in this Agreement and the Note are cumulative and not exclusive of any rights or remedies which the Secured Party would otherwise have. No notice to or demand on any Grantor in any case shall entitle the Grantors to any other or further notice or demand in similar or other circumstances or shall constitute a waiver of the right of the Secured Party to take any other or further action in any circumstances without notice or demand. Any waiver that is given shall be effective only if in writing and only for the limited purposes expressly stated in the applicable waiver.

8. STANDARD OF CARE.

(a) In General. No act or omission of the Secured Party (or employee thereof) shall give rise to any defense, counterclaim or offset in favor of any Grantor or any claim or action against the Secured Party (or employee thereof), in the absence of gross negligence or willful misconduct of the Secured Party (or employee thereof) as determined in a final, nonappealable judgment of a court of competent jurisdiction. The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Secured Party accords to other Collateral it holds, it being understood that it has no duty to take any action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral or to preserve any rights of any parties and shall only be liable for losses which are a result of its gross negligence or willful misconduct as determined in a final, nonappealable judgment of a court of competent jurisdiction.

(b) No Duty to Preserve Rights. Without limiting the generality of the foregoing, the Secured Party has no duty (either before or after an Event of Default) to collect any amounts in respect of the Collateral or to preserve any rights relating to the Collateral.

(c) No Duty to Prepare for Sale. Without limiting the generality of the foregoing, the Secured Party has no obligation to clean-up or otherwise prepare the Collateral for sale.

(d) Duties Relative to Contracts. Without limiting the generality of the foregoing, each Grantor shall remain obligated and liable under each contract or agreement included in the Collateral to be observed or performed by such Grantor thereunder. The Secured Party shall not have any obligation or liability under any such contract or agreement by reason of or arising out of this Agreement or the receipt by the Secured Party of any payment relating to any of the Collateral, nor shall the Secured Party be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any such contract or agreement, to make inquiry as to the nature or sufficiency of any payment received by the Secured Party in respect of the Collateral or as to the sufficiency of any performance by any party under any such contract or agreement, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to the Secured Party or to which the Secured Party may be entitled at any time or times.

(e) Reliance on Advice of Counsel. In taking any action under this Agreement or the Note, the Secured Party shall be entitled to rely upon the advice of counsel of Secured Party's choice and shall be fully protected in acting on such advice whether or not the advice rendered is ultimately determined to have been accurate.

(f) Appointment and Powers of Secured Party. Each of the Grantors hereby irrevocably constitutes and appoints the Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorneys-in-fact and with full irrevocable power and authority in the place and stead of such Grantor or in the Secured Party's own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to

execute any and all documents and instruments that may be necessary or useful to accomplish the purposes of this Agreement in accordance with Section 4(m).

9. MISCELLANEOUS.

(a) Successors and Assigns. The Secured Party may assign or transfer this Agreement and any or all rights or obligations hereunder without the consent of any Grantor and without prior notice so long as the assignee or transferee thereof is not a competitor of Borrower or Subsidiary Grantor. No Grantor shall assign or transfer this Agreement or any rights or obligations hereunder without the prior written consent of the Secured Party. Notwithstanding the foregoing, if there should be any assignment of any rights or obligations by operation of law or in contravention of the terms of this Agreement or otherwise, then all covenants, agreements, representations and warranties made herein or pursuant hereto by or on behalf of any Grantor shall bind the successors and assigns of such Grantor, jointly and severally (if applicable), together with the preexisting Grantor, whether or not such new or additional Persons execute a joinder hereto or assumption hereof (without the same being deemed a waiver of any default caused thereby) which condition shall not be deemed to be a waiver of any Event of Default arising out of such assignment. The rights and privileges of the Secured Party under this Agreement shall inure to the benefit of its successors and assigns. All promises, covenants and agreements of the Grantor contained in this Agreement shall be binding upon the successors and assigns of such Person.

(b) Joint and Several Liability. All Grantors shall jointly and severally be liable for the obligations of each Grantor to the Secured Party hereunder.

(c) Notices. All notices, requests, demands, directions and other communications provided for herein shall be in writing and shall be delivered or mailed by first-class mail or by other commercially-reasonable manner specified by the Secured Party and addressed as follows: (i) to Secured Party at Suite 6223, U.S. Steel Tower, 600 Grant Street, Pittsburgh, Pennsylvania 15219, attention Stephen S. Boochever, facsimile (412) 647-7727; (ii) to Borrower at 6195 Lusk Boulevard, Suite 120, San Diego, California 92121, attention Jaye Connolly, facsimile (858) 812-0953; and (iii) Subsidiary Grantor at c/o A-Life Medical, Inc., 6195 Lusk Boulevard, Suite 120, San Diego, CA 92121, attention Jaye Connolly, facsimile (858) 812-0953.

(d) Severability. Every provision of this Agreement is intended to be severable. If any term or provision of this Agreement shall be invalid, illegal or unenforceable for any reason, the validity, legality and enforceability of the remaining provisions shall not be affected or impaired thereby. Any invalidity, illegality or unenforceability of any term or provision of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of any such term or provision in any other jurisdiction.

(e) Costs and Expenses. Without limiting any other cost reimbursement provisions in the Note, upon demand, the Grantors shall pay to the Secured Party the amount of any and all reasonable expenses incurred by the Secured Party in connection with (i) the exercise or enforcement of any of the rights of the Secured Party hereunder or (ii) the failure of any Grantor to perform or observe any of the provisions hereof.

(f) Indemnification by Grantors. Each Grantor shall indemnify, reimburse and hold harmless the Secured Party and any officer, director, employee, agent, or representative of the Secured Party (each an “**Indemnitee**”) from and against any and all losses, claims, liabilities, damages, penalties, suits, costs and expenses, of any kind or nature, (including fees relating to the cost of investigating and defending any of the foregoing) imposed on, incurred by or asserted against such Indemnitee in any way related to or arising from or alleged to arise from this Agreement or the Collateral, except any such losses, claims, liabilities, damages, penalties, suits, costs and expenses which result from the gross negligence or willful misconduct of the Indemnitee as determined by a final nonappealable decision of a court of competent jurisdiction.

(g) Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the Note and any related agreements with respect thereto constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall become effective when it shall have been executed by the Secured Party and when the Secured Party shall have received counterparts hereof that when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or by e-mail (in .pdf form) shall be effective as delivery of a manually executed counterpart of this Agreement.

(h) Amendments and Waivers. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by the Grantors and the Secured Party.

(i) Descriptive Headings. The descriptive headings of the several sections of this Agreement are inserted for convenience only and shall not affect the meaning or construction of any of the provisions of this Agreement.

10. SPECIFIC PERFORMANCE. Each Grantor hereby authorizes the Secured Party to demand specific performance of this Agreement at any time when any Grantor shall have failed to comply with any provision hereof, and each Grantor hereby irrevocably waives any defense based on the adequacy of a remedy at law which might be asserted as a bar to the remedy of specific performance hereof in any action brought therefor.

11. RELATIONSHIP WITH NOTE. To the extent that any of the terms hereof is inconsistent with any provision of the Note, the provisions of the Note shall control. The Subsidiary Grantor acknowledged receipt from the Borrower of a correct and complete copy of the Note and consents to all the provisions of the Note as in effect on the date hereof and agrees that its consent is not required for any amendments, modifications, restatements, or waivers of it or any of the provisions thereof.

12. TERMINATION; PARTIAL RELEASE. At such time as all the Secured Obligations (other than inchoate indemnity obligations) have been indefeasibly paid and performed in full, then the security provided for herein shall automatically terminate and all

rights to the Collateral shall revert to Grantors, and Secured Party shall deliver such documents and make such filings as Grantors shall reasonably request to evidence such termination, at Grantors' sole cost and expense, provided, however, that all indemnities of the Grantors contained in this Agreement shall survive and remain operative and in full force and effect regardless of the termination of this Agreement.

13. GOVERNING LAW; JURISDICTION; WAIVER OF JURY TRIAL.

(a) Governing Law. This Agreement and the rights and obligations of the parties hereunder shall be construed and interpreted in accordance with the laws of the Commonwealth of Pennsylvania (excluding the laws applicable to conflicts or choice of law).

(b) Submission to Jurisdiction. Each Grantor irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the courts of the Commonwealth of Pennsylvania sitting in the state or federal courts located in or for Pittsburgh, Pennsylvania, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the Note, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such Pennsylvania state court or, to the fullest extent permitted by applicable law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or in the Note shall affect any right that the Secured Party may otherwise have to bring any action or proceeding relating to this Agreement or the Note against any Grantor or its properties in the courts of any jurisdiction.

(c) Waiver of Venue. Each Grantor irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or the Note in any court referred to in paragraph (b) above. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Service of Process. Each party hereto irrevocably consents to service of process in the manner provided for notices in Section 9. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by applicable law.

(e) Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE NOTE OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (I) CERTIFIES THAT NO REPRESENTATIVE, SECURED PARTY OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II)

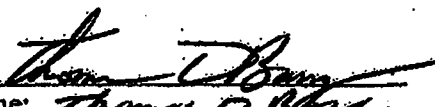
ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE NOTE BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

14. NON RECOURSE GUARANTY. The Subsidiary Grantor hereby irrevocably and unconditionally guaranties to the Secured Parties the full and timely payment and performance of the Secured Obligations, it being the Subsidiary Grantor's intent that the guaranty set forth in this Section 14 shall be a guaranty of payment and not a guaranty of collection. The guaranty hereunder is a primary and original obligation of the Subsidiary Grantor and is an absolute, unconditional guaranty of payment and performance which is irrevocable and, to the extent allowed by applicable law, shall remain in full force and effect without respect to future changes in conditions. The Subsidiary Grantor's liability under this Agreement, and the rights and remedies of the Secured Party hereunder, shall be immediate and shall not be contingent upon the exercise or enforcement by the Secured Party of whatever remedies it may have against Subsidiary Grantor or others or the enforcement of any lien or the realization upon any security that Secured Party may at any time possess.

[remainder of page intentionally left blank; signatures follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in the name and on behalf of the parties hereto as of the date first above written.

A-LIFE MEDICAL, INC., a California corporation

By: 
Name: *Thomas O. Blunt*
Title: *CEO*

A-LIFE HOSPITAL CODING, LLC, a Delaware limited liability company

By: _____
Name:
Title:

STRATEGIC BUSINESS INITIATIVES, LLC, a Pennsylvania limited liability company

By: _____
Name:
Title:

[Signature Page to Pledge and Security Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in the name and on behalf of the parties hereto as of the date first above written.

A-LIFE MEDICAL, INC., a California corporation

By: _____
Name:
Title:

A-LIFE HOSPITAL CODING, LLC, a Delaware limited liability company

By: Robert M. Jaffe
Name: Robert, M Jaffe
Title: Manager

STRATEGIC BUSINESS INITIATIVES, LLC, a Pennsylvania limited liability company

By: _____
Name:
Title:

[Signature Page to Pledge and Security Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in the name and on behalf of the parties hereto as of the date first above written.

A-LIFE MEDICAL, INC., a California corporation

By: _____
Name:
Title:

A-LIFE HOSPITAL CODING, LLC, a Delaware limited liability company

By: _____
Name:
Title:

STRATEGIC BUSINESS INITIATIVES, LLC, a Pennsylvania limited liability company

By: Stephen S. Bochever
Name: Stephen S. Bochever
Title: President

[Signature Page to Pledge and Security Agreement]

Annex A

FORM OF POWER OF ATTORNEY

This Power of Attorney is executed and delivered by _____, a _____ (“**Grantor**”), to STRATEGIC BUSINESS INITIATIVES, LLC (“**Attorney**”). This Power of Attorney is delivered in connection with and pursuant to a certain Pledge and Security Agreement, dated as of _____, 2009, by and among [Grantors] and Attorney delivered in connection therewith (the “**Security Agreement**”). Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Security Agreement. No person to whom this Power of Attorney is presented, as authority for Attorney to take any action or actions contemplated hereby, shall be required to inquire into or seek confirmation from Grantor as to the authority of Attorney to take any action described below, or as to the existence of or fulfillment of any condition to this Power of Attorney, which is intended to grant to Attorney unconditionally the authority to take and perform the actions contemplated herein, and Grantor irrevocably waives any right to commence any suit or action, in law or equity, against any person or entity which acts in reliance upon or acknowledges the authority granted under this Power of Attorney. The power of attorney granted hereby is coupled with an interest, and may not be revoked or canceled by Grantor without Attorney’s written consent.

Grantor hereby irrevocably constitutes and appoints Attorney (and all officers, employees or agents designated by Attorney), with full power of substitution, as Grantor’s true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Grantor and in the name of Grantor or in its own name, from time to time in Attorney’s discretion, to take any and all appropriate action and to execute and deliver any and all documents and instruments which may be necessary or desirable to accomplish the purposes of the Note, the Security Agreement and any and all agreements, documents and instruments executed, delivered or filed in connection therewith from time to time (collectively, the “**Loan Documents**”) and, without limiting the generality of the foregoing, Grantor hereby grants to Attorney the power and right, on behalf of Grantor, without notice to or assent by Grantor, and at any time, to do the following:

(a) change the mailing address of Grantor, open a post office box on behalf of Grantor, open mail for Grantor, and ask, demand, collect, give acquittances and receipts for, take possession of, endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, and notices in connection with any property of Grantor;

(b) receive, endorse Grantor’s name on, and collect, any checks, notes, acceptances, money orders, drafts and any other forms of payment or security payable to Grantor, and hold all amounts or proceeds so received or collected as cash collateral in a restricted account for the benefit of the Attorney, or apply such amounts or proceeds to the Secured Obligations as Attorney may deem appropriate;

(c) effect any repairs to any asset of Grantor, or continue or obtain any insurance and pay all or any part of the premiums therefor and costs thereof, and make, settle and

adjust all claims under such policies of insurance, and make all determinations and decisions with respect to such policies;

(d) pay or discharge any taxes, liens, security interests, or other encumbrances levied or placed on or threatened against Grantor or its property;

(e) defend any suit, action or proceeding brought against Grantor if Grantor does not defend such suit, action or proceeding or if Attorney believes that Grantor is not pursuing such defense in a manner that will maximize the recovery to Attorney, and settle, compromise or adjust any suit, action, or proceeding described above and, in connection therewith, give such discharges or releases as Attorney may deem appropriate;

(f) file or prosecute any claim, litigation, suit or proceeding in any court of competent jurisdiction or before any arbitrator, or take any other action otherwise deemed appropriate by Attorney for the purpose of collecting any and all such moneys due to Grantor whenever payable and to enforce any other right in respect of Grantor's property;

(g) cause the certified public accountants then engaged by Grantor to prepare and deliver to Attorney at any time and from time to time, promptly upon Attorney's request, the following reports: (i) a reconciliation of all accounts, (ii) an aging of all accounts, (iii) trial balances, (iv) test verifications of such accounts as Attorney may request, and (v) the results of each physical verification of inventory;

(h) communicate in its own name with any party to any contract with regard to the assignment of the right, title and interest of Grantor in and under the contracts and other matters relating thereto;

(i) to the extent that Grantor's authorization given in the Security Agreement is not sufficient, to file such financing statements and amendments thereto and continuation statements with respect to the Security Agreement as Attorney may deem appropriate;

(j) to transfer any Intellectual Property or provide licenses respecting any Intellectual Property; and

(k) execute, deliver and/or record, as applicable, in connection with any sale or other remedy provided for in any Loan Document, any endorsements, assignments or other applications for or instruments of conveyance or transfer with respect to the Collateral and to otherwise direct such sale or resale, all as though Attorney were the absolute owner of the property of Grantor for all purposes, and to do, at Attorney's option and Grantor's expense, at any time or from time to time, all acts and other things that Attorney reasonably deems necessary to perfect, preserve, or realize upon Grantor's property or assets and Attorney's liens thereon, all as fully and effectively as Grantor might do. Grantor hereby ratifies, to the extent permitted by law, all that Attorney shall lawfully do or cause to be done by virtue hereof. Without limiting the generality of the foregoing, Attorney is specifically authorized to execute and file any applications for or instruments of transfer and assignment of any patents, trademarks, copyrights or other Intellectual Property with the United States Patent and Trademark Office and the United States Copyright Office.

IN WITNESS WHEREOF, this Power of Attorney is duly executed on behalf of Grantor
this ____ day of _____, 20__.

[_____]

By: _____

Name: _____

Title: _____

NOTARY PUBLIC CERTIFICATE

On this ____ day of _____, 20__, [officer's name] who is personally known to me
appeared before me in his/her capacity as the [title] of [name of Grantor] ("**Grantor**") and
executed on behalf of Grantor the Power of Attorney in favor of _____, as Attorney,
to which this Certificate is attached.

Notary Public

Schedule 1

LOCATIONS OF COLLATERAL

6195 Lusk Boulevard, Suite 120, San Diego, CA 92121

1370 Beulah Road, Building 701, 5th Floor, Pittsburgh, PA 15235

Schedule 2

LOCATIONS OF GRANTORS

Chief Executive Office of Borrower:

6195 Lusk Boulevard, Suite 120, San Diego, CA 92121

Chief Executive Office of Subsidiary Grantor:

1370 Beulah Road, Building 701, 5th Floor, Pittsburgh, PA 15235

Other places of business of Borrower or Subsidiary Grantor:

None

Schedule 3

NAMES USED BY GRANTORS

Section 3(h)(ii):

Names used by Borrower in the last 5 years – None

Names used by Subsidiary Grantor in the last 5 years – A-Life Hospital; A-Life Hospital Coding.

Section 3(h)(iii):

Entities which have merged into any Grantor or have been acquired by any Grantor – Fifty percent of the membership interests of Subsidiary Grantor were acquired by Borrower in connection with the transactions contemplated by the Purchase Agreement.

Schedule 4

LIENS

Borrower:

Lien in favor of Great America Leasing Corporation, filed with the California Secretary of State on February 20, 2007, on leased equipment (Filing No. 07-7103276013).

Subsidiary Grantor:

State Tax Lien, filed with the California Secretary of State on February 13, 2009 in favor of the Employment Development Department (Filing No. 09-7187782049).¹

¹ Payment in the amount of \$1,956.84 was made to the Employment Development Department and the lien is in the process of being released.

Schedule 5

PATENTS AND PATENT APPLICATIONS

Grantor	Title	Patent or Application Number	Patent Date or Filing Date
Borrower	Automatically Assigning Medical Codes Using Natural Language Processing	09/364,930 6,915,254	July 5, 2005
Borrower	Auditing the Coding and Abstracting of Documents	11/692,093	March 27, 2007
Borrower	Multi-Magnitude Vectors with Resolution Based on Source Vector Features	11/735,264	April 13, 2007
Borrower	Mere-Parsing with Boundary & Semantic Driven Scoping	11/735,278	April 13, 2007
Borrower	Automated Interpretation of Clinical Encounters with Cultural Cues	11/686,164	March 14, 2007
Borrower	Visualization the Documentation and Coding of Surgical Procedures	12/185,754	August 4, 2008

Schedule 6

TRADEMARKS AND TRADEMARK APPLICATIONS

Grantor	Mark or Application	Registration Number or Serial Number	Date of Registration or Application
Borrower	LIFECODE	75/729,282 2,518,136	06/15/1999 12/11/2001
Borrower	ACTUS	78/413,451 3,020,035	05/04/2004 11/29/2005
Borrower	COAUDIT	78/873,577	11/7/2007
Borrower	ALACER	77/108,113	2/15/2007
Borrower	CODEDIRECT	77/460,723	4/29/2008
Borrower	A LIFE LOGO	75/729,280 & 75/729,281	6/15/1999
Borrower	A LIFE & DESIGN	75/730,935 & 75/730,933	6/16/1999
Borrower	A LIFE MEDICAL	77/264,956	8/27/2007
Borrower	A LIFE HOSPITAL CODING	77/268,548	8/30/2007
Borrower	ABTRACTOR	78/454,506	7/21/2004
Borrower	RECOVERIT	77/698,269	3/23/2009

Schedule 7

REGISTERED COPYRIGHTS

None

Schedule 8

PLEDGED INTERESTS

Entity	Owner of Entity Interests	Type of Interest	Percentage of Interests Held
A-Life Hospital Coding, LLC, a Delaware limited liability company	A-Life Medical, Inc., a California corporation	Membership Interest	100%

Schedule 9

INTELLECTUAL PROPERTY LICENSES

CPT codes by AMA

NCD, LCD, CCI and code description data by Yost Engineering

Interventional Coding diagrams by Medical Learning, Inc.

HL7 CDA

Schedule 10

COMMERCIAL TORT CLAIMS

None

Schedule 11

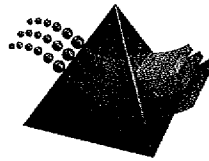
INDEBTEDNESS

None

Schedule 12

INVESTMENTS

Investments by Borrower in Subsidiary Grantor.



A-LIFE MEDICAL

6195 LUSK BOULEVARD ▲ SUITE 120 ▲ SAN DIEGO ▲ CA 92121 ▲ TEL: 858.812.3200 ▲ FAX: 858.812.0951 ▲ www.alifemedical.com

June 29, 2010

Strategic Business Initiatives
U.S. Steel Tower
600 Grant Street, Suite 6223
Pittsburgh, PA 15219
Attn: Stephen S. Boochever, President

Re: Pay-Off Letter

Dear Mr. Boochever:

We refer to the Secured Promissory Note (the "**Note**") and the related Pledge and Security Agreement, each dated as of May 15, 2009 (together, the "**Loan Documents**") by and between A-Life Medical, Inc., a California corporation ("**Borrower**") and Strategic Business Initiatives, LLC ("**SBI**"). Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Loan Documents.

Pursuant to the terms of the Note, Borrower intends to repay all amounts due and owing under the Note. This letter will confirm the appropriate pay-off amounts for the principal, interest, and other amounts owing by Borrower to SBI under the Loan Documents (such amounts, collectively, the "**Obligations**"). The pay-off amounts for Borrower as of June 30, 2010 (the "**Computation Date**") under the Loan Documents are as follows (collectively, together with any additional interest accruing after the Computation Date that must be repaid by Borrower, the "**Pay-Off Amount**"):

Principal	\$3,028,415.86
Interest	\$ 10,725.64
Total Pay-Off Amount	\$3,039,141.50

The Pay-Off Amount was wire-transferred to SBI as follows:

Mellon Bank
Pittsburgh PA
Account Name: UPMC
ABA Routing No. 043000261
Account No. 149-4153
Reference: A-Life Medical Pay-Off

Effective immediately upon SBI's receipt of payment in full in cash of the Pay-Off Amount (the date of SBI's receipt of the Pay-Off Amount being the "**Pay-Off Date**"), without further action on the part of the parties hereto (i) all indebtedness and obligations of Borrower to SBI under the Note and any other related loan and collateral security documents shall be paid and discharged in full; (ii) all unfunded commitments to make credit extensions or financial accommodations to Borrower or any other person under the Loan Documents shall be terminated; (iii) all security interests and other liens of every type at any time granted to or held by SBI as security for such

indebtedness shall be terminated, and (iv) all other obligations of Borrower under the Loan Documents shall be deemed terminated; provided, however, those that are expressly specified in any Loan Document as surviving that respective agreement's termination, including without limitation, Borrower's indemnity obligations set forth in the Loan Documents.

Promptly following the Pay-Off Date, SBI shall deliver to Borrower (i) UCC Termination Statements to terminate all UCC Financing Statements in SBI's favor with respect to (1) Borrower and any of Borrower's property or assets and (2) any third party and any of its property or assets that guarantied the Obligations or provided collateral security therefor; (ii) any other documents necessary to release or terminate any lien with respect to Borrower's intellectual property or other property or assets; and (iii) notices to terminate any deposit or securities account control agreements relating to the any assets in which Borrower or any other party has pledged a security interest to SBI to secure the obligations arising under the Loan Documents. SBI authorizes Borrower, upon or after the Pay-Off Date, to (a) file such UCC Termination Statements or other documents necessary to evidence the release of SBI's security interests in any of Borrower's property or assets and (b) deliver such termination notices relating to any deposit or securities account control agreements or other notices terminating SBI's security interest to third parties. All such agreements, documents, and instruments which are requested by Borrower to be delivered by SBI on or after the Pay-Off Date shall be prepared at no cost or expense to SBI; *provided*, that any costs or expenses incurred by SBI with respect to such items (including all reasonable attorneys' fees) shall be reimbursed promptly by Borrower on demand.

This letter agreement shall be governed by the laws of the State of California and shall become effective only when signed by Borrower and accepted by SBI by its due execution in the space provided below.

Very truly yours,

A-Life Medical, Inc.

By: 
Name: Jaye Connolly
Title: President

Acknowledged by:

Strategic Business Initiatives, LLC

By: _____
Name:
Title:

Mary Hutzelman

From: TrackingUpdates@fedex.com
Sent: Wednesday, June 30, 2010 6:48 AM
To: Mary Hutzelman
Subject: FedEx Shipment 793680964109 Delivered

This tracking update has been requested by:

Company Name: A-Life Medical Inc.
 Name: Rand Smith
 E-mail: mhutzelman@alifemedical.com

Our records indicate that the following shipment has been delivered:

Ship (P/U) date: Jun 29, 2010
 Delivery date: Jun 30, 2010 9:33 AM
 Sign for by: J.BROWN
 Delivery location: PITTSBURGH, PA
 Delivered to: Mailroom
 Service type: FedEx Standard Overnight
 Packaging type: FedEx Envelope
 Number of pieces: 1
 Weight: 0.50 lb.
 Special handling/Services: Deliver Weekday

Tracking number: 793680964109

Shipper Information
 Rand Smith
 A-Life Medical Inc.
 6195 Lusk Boulevard
 Suite 120
 San Diego
 CA
 US
 92121

Recipient Information
 Stephen S. Boochever, President
 Strategic Business Initiatives
 600 Grant Street, Suite 6223
 U.S. Steel Tower
 Pittsburgh
 PA
 US
 15219

Please do not respond to this message. This email was sent from an unattended mailbox. This report was generated at approximately 8:47 AM CDT on 06/30/2010.

To learn more about FedEx Express, please visit our website at fedex.com.

All weights are estimated.

To track the latest status of your shipment, click on the tracking number above, or visit us at fedex.com.

This tracking update has been sent to you by FedEx on the behalf of the Requestor noted above. FedEx does not validate the authenticity of the requestor and does not validate, guarantee or warrant the authenticity of the request, the requestor's message, or the accuracy of this tracking update. For tracking results and fedex.com's terms of use, go to fedex.com.

Thank you for your business.