

07-10-1998

USPTO

Patent and Trademark Office

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Tab settings

To the Honorable Commissioner

100760625

attached original documents or copy thereof.

1. Name of conveying party(ies): 6-29-98  
UNGER Software Corporation

- Individual(s)
- General Partnership
- Corporation-State
- Other
- Association
- Limited Partnership

Additional name(s) of conveying party(ies) attached?  Yes  No

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other
- Merger
- Change of Name

Execution Date: April 17, 1998

2. Name and address of receiving party(ies)

Name: Rev-Wood Merchant Partners

Internal Address:

Street Address: 68 Weatley Road

City: New York

- Individual(s) citizenship
- Association
- General Partnership
- Limited Partnership
- Corporation-State
- Other

If assignee is not domiciled in the United States, a domestic representative designation is attached:  Yes  No

(Designations must be a separate document from assignment)

Additional name(s) & address(es) attached?  Yes  No

4. Application number(s) or patent number(s):

A. Trademark Application No.(s)

74/588,738

B. Trademark Registration No.(s)

2,081,925 (registered 7/22/1997)

Additional numbers attached?  Yes  No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Craig S Libson, Esq.

Internal Address: Parker Duryee Rosoff & Haft

Street Address: 529 Fifth Avenue

City: New York State: NY ZIP: 10017

6. Total number of applications and registrations involved: one

7. Total fee (37 CFR 3.41).....\$ 40<sup>00</sup>

Enclosed

Authorized to be charged to deposit account

8. Deposit account number:

(Attach duplicate copy of this page if paying by deposit account)

07/09/1998 DC0000113 74588738

DO NOT USE THIS SPACE

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9. Statement and signature.

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.

Harold Unger  
Name of Person Signing

Harold Unger  
Signature

April 21, 1998  
Date

Total number of pages including cover sheet, attachments, and document: 13

Mail documents to be recorded with required cover sheet information to:  
Commissioner of Patents & Trademarks, Box Assignments  
Washington, D.C. 20231

THIS DEBENTURE AND ANY SHARES OF COMMON STOCK ISSUABLE UPON ITS CONVERSION HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED UNTIL (1) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 SHALL HAVE BECOME EFFECTIVE WITH RESPECT THERETO, OR (2) RECEIPT BY THE COMPANY OF AN OPINION OF COUNSEL TO THE COMPANY OR OTHER SUCH OTHER COUNSEL REASONABLY ACCEPTABLE TO THE COMPANY, BOTH AS TO THE IDENTITY OF SUCH OTHER COUNSEL AND THE FORM AND SUBSTANCE OF THE OPINION OF SUCH OTHER COUNSEL, TO THE EFFECT THAT REGISTRATION UNDER THE SECURITIES ACT OF 1933 IS NOT REQUIRED IN CONNECTION WITH SUCH PROPOSED TRANSFER.

UNGER SOFTWARE CORPORATION

10% Convertible Debenture Due April 20, 2001

\$550,000

April 21, 1998

UNGER SOFTWARE CORPORATION, a Delaware corporation (the "Company"), for value received, hereby promises to pay to the order of Rev-Wood Merchant Partners, or registered assigns (the "Holder"), on April 20, 2001 (the "Maturity Date"), in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, at the last address of the Holder of this Debenture as recorded on the books of the Company or, if no such address is noted, at the principal office of the Company, the principal sum of Five Hundred and Fifty Thousand (\$550,000) Dollars, and to pay interest on the outstanding principal sum hereof from the date hereof, at the rate of 10% per annum until payment of said unpaid principal sum shall be made in full, said interest to be payable in Common Stock of the Company utilizing a per share value of the Common Stock of \$2.00 per share.

This Debenture is one of a duly authorized issue of 10% Convertible Debentures due April 20, 2001 of the Company in the aggregate principal amount of up to \$1,500,000 (the "Debentures") offered pursuant to the Confidential Investment Summary dated February 4, 1998 and the Subscription Agreement executed in connection therewith (the "Subscription Agreement").

1. Registry. Books for the registry of this Debenture shall be kept at the principal office of the Company. No transfer of this Debenture shall be valid unless made on the Company's books, by the registered Holder hereof in person or by an attorney duly authorized in writing.
2. Appointment of Representative. The Holder, by acceptance of the benefits of this Debenture, hereby irrevocably designates Eli Oxenhorn as Representative to act as specified herein. Holder hereby irrevocably authorizes the Representative to take such action on behalf of the Holder under the provisions of this Debenture and to exercise such powers and to perform such duties hereunder as are specifically delegated to or required of the Representative by the terms hereof and such other powers as are reasonably incidental thereto. The Representative may perform any of its duties hereunder by or through its agents.

(a) The Representative shall have no duties or responsibilities except those expressly set forth in this Debenture. Neither the Representative nor any of his agents shall be liable for any action taken or omitted by him hereunder or in connection herewith, unless caused by his own or their own gross negligence or willful misconduct. The duties of the Representative shall be mechanical and administrative in nature; the Representative shall not have by reason of this Debenture a fiduciary relationship in respect of any Holder; and nothing in this Debenture, express or implied, is intended to or shall be so construed as to impose upon the Representative any obligations except those expressly set forth herein.

(b) The Representative shall not be liable for any act he may do or omit to do while acting in good faith and in the exercise of his own best judgement. Any act done or omitted by the Representative on the advise of his attorney shall be deemed conclusively to have been done or omitted in good faith. The Representative shall have the right at any time to consult with counsel on any question arising under this Debenture. The Representative shall incur no liability for any delay reasonably required to obtain the advice of counsel.

(c) Independently and without reliance upon the Representative, each Holder, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of the Company in connection with the making and the continuance of the rights and obligations under this Debenture and the taking or not taking of any action in connection therewith, and (ii) its own appraisal of the creditworthiness of the Company, and the Representative shall have no duty or responsibility, either initially or on a continuing basis, to provide any Holder with any credit or other information with respect thereto. The Representative shall not be responsible to any Holder for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith or for the execution, effectiveness, genuineness, validity, enforceability, perfection, collectibility, priority or sufficiency of this Debenture or the financial condition of the Company, or the existence or possible existence of any Event of Default.

(d) No Holder with less than 51% of the aggregate principal amount of the Debentures shall have the right to cause the Representative to take any action. Directions to the Representative to take any action must come from Holders of at least 51% of the aggregate principal amount represented by the Debentures (the "Majority Holders"). If the Representative shall request instructions from the Majority Holders with respect to any act or action (including the failure to act) in connection with this Debenture, the Representative shall be entitled to refrain from such act or taking such action unless and until he has received instructions from the Majority Holders, and to the extent requested, appropriate indemnification in respect of actions to be taken; and the Representative shall not incur liability to any person by reason of so refraining. Without limiting the foregoing, no Holder shall have any right of action whatsoever against the Representative as a result of Representative acting or refraining from acting hereunder in accordance with the instructions of the Majority Holders.

(e) To the extent the Representative is not reimbursed and indemnified by the Company, the Holders will reimburse and indemnify the Representative, in proportion to their respective

principal amounts represented by this Debenture, for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Representative in performing his duties hereunder, except those determined by a final judgment of a court of competent jurisdiction to have resulted solely from the Representative's own negligence or willful misconduct.

(f) The Representative may resign from the performance of all of its functions and duties under this Debenture at any time by giving thirty (30) days prior written notice to the Company and the Holders. Such resignation shall take effect upon the appointment of a successor Representative. Such successor Representative to be chosen by the Majority Holders.

3. Grant of Security Interest to Representative. For the purposes of securing the obligations of the Company under this Debenture, the Company grants to the Representative for the benefit of the Holders, a first priority security interest in all of the Company's rights, title and interest in its Methuselah software version 3.0 4.2, the copyright thereto, registration number TX4-554-168 granted by the United States Copyright Office on June 9, 1997, and all improvements thereon or updates thereto, and all goodwill associated therewith (the "Collateral")

#### 4. Conversion.

(a) The Holder of this Debenture and any registered assign shall have the right, at its option, at any time and from time to time from and after the date hereof and up to and including the close of business on the Maturity Date, to elect to convert, subject to the terms and provisions of this Section 4, effective ten (10) days after receipt by the Company of notice of such election given in accordance with Section 4(b), all or a portion of the unpaid principal and accrued interest hereof into fully paid and nonassessable shares of Common Stock, with \$0.01 par value, of the Company (the "Common Stock"), at the price of \$2.00 per share, or if an adjustment of such price has taken place in accordance with the provisions of Section 4(d) hereof, at the price as last adjusted (the "Conversion Price"), such that the number of shares obtained upon conversion shall be determined by dividing the Conversion Price into the principal amount plus accrued interest of the Debenture being converted. The Conversion Price and the number and character of shares of Common Stock are subject to adjustment as hereinafter provided.

(b) In order to convert this Debenture, the Holder hereof shall deliver this Debenture to the Company at its principal office, together with written notice in the form annexed hereto that it elects to convert the portion of the principal balance and the accrued interest of this Debenture therein specified into shares of Common Stock in accordance with the provisions of this Section 4.

(c) If the Holder has made an election to convert all or a portion of the principal balance plus accrued interest of this Debenture as provided in subparagraph (b) above, ten (10) days after receipt by the Company of such notice or as promptly as practicable thereafter, the Company shall deliver or cause to be delivered to the Holder a certificate representing the number of fully paid and nonassessable shares of Common Stock into which this Debenture is being converted, together with a new Debenture

representing the remaining principal balance of this Debenture if less than all of this Debenture is being converted. If all the Debenture is to be converted, any dollar amount less than two dollars (\$2.00) remaining after conversion shall be rounded up to two dollars (\$2.00) and shall be converted to one share of Common Stock. Such conversion shall be deemed to have been made at the close of business on the date this Debenture shall have been surrendered together with the written election to convert, so that the person entitled to receive the shares of Common Stock upon conversion of this Debenture shall be treated for all purposes as having become the record holder or holders of such shares of Common Stock at such time and such conversion shall be at the Conversion Price in effect at such time. The interest on the Debenture will continue to accrue until the date of conversion and shall be payable in Common Stock. So long as this Debenture is outstanding, the Company shall not close its stock transfer books. The issuance of certificates for shares of Common Stock upon the conversion of this Debenture shall be made without charge to the Holder hereof for any tax in respect of the issuance of such certificate; provided, however, that the Company shall not be required to pay any taxes which may be payable or incur any other expenses in respect of any transfer involved in the issuance of any certificate for shares of Common Stock in a name other than that of the Holder of this Debenture in respect of which shares of Common Stock are issued.

(d) The Conversion Price shall be subject to adjustment from time to time as follows:

(i) If at any time or times after the date hereof, the total number of outstanding shares of Common Stock shall be increased or decreased by a stock split, stock dividend, reverse split or similar pro rata change in the capitalization of the Company, the Conversion Price shall be an amount determined as follows:

(A) by multiplying (x) the Conversion Price immediately prior to such event, by (y) the total number of outstanding shares of Common Stock of the Company immediately prior to such event; and

(B) by dividing the product thereof by the total number of outstanding shares of Common Stock of the Company immediately after such event

(ii) Anything herein to the contrary notwithstanding, no adjustment in the Conversion Price shall be required unless such adjustment, either by itself or with other adjustments not previously made, would require a change of at least one percent; provided, however, that any adjustment which by reason of this Section 4(d)(ii) is not required to be made shall be carried forward and taken into account in any subsequent adjustment

(iii) Anything herein to the contrary notwithstanding, no adjustments pursuant to this Section 4(d) shall be made (a) by reason of or in connection with the issuance of shares of Common Stock upon conversion of the Debentures, or (b) if such adjustment would result in an increase in the Conversion Price.

(e) If at any time or times after the date hereof, the Company shall effect a reorganization, shall merge with or consolidate into another corporation, or shall sell, transfer or otherwise dispose of all or substantially all of its property, assets or business and, pursuant to the terms of such reorganization, merger, consolidation or disposition of assets, shares of stock or other securities, property or assets of the Company (or the successor, transferee or affiliate of the Company) or cash are to be received by or distributed to the holders of Common Stock, or if at any time or times after the date hereof the Company shall make any distribution of its assets with respect to its Common Stock, then the Holder of this Debenture shall have the right, concurrently with the closing of such transaction, to convert this Debenture and to receive, upon conversion of this Debenture, the number of shares of stock or other securities, property or assets of the Company (or the successor, transferee or affiliate of the Company), or cash receivable upon or as a result of such reorganization, merger, consolidation, disposition of assets or distribution by a holder of the number of shares of Common Stock into which this Debenture was convertible immediately prior to such event. The provisions of this Section 4(e) shall similarly apply to successive reorganizations, mergers, consolidations, dispositions of assets or distributions.

(f) If at any time or times after the date hereof, a purchase, tender or exchange offer is made to and accepted by the holders of more than 50% of the outstanding shares of Common Stock of the Company, the Company shall not effect any consolidation, merger or sale with the person having made such offer or with any affiliate of such person, unless prior to the consummation thereof the Holder of this Debenture shall have been given a reasonable opportunity then to elect to convert this Debenture and to receive, upon conversion of this Debenture, either the stock, securities, cash or assets then issuable with respect to the Common Stock or the previous holders of the Common Stock in accordance with such offer.

(g) The Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion or exchange of this Debenture, the full number of whole shares of Common Stock then deliverable upon the conversion or exchange of the entire principal amount of this Debenture at the time outstanding. The Company shall take at all times such corporate action as shall be necessary in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the conversion of this Debenture in accordance with the provisions hereof.

5. Events of Default. If any of the following events of default (each an "Event of Default") shall occur:

(a) Failure to Pay Principal or Interest. The Company fails to pay the principal and accrued interest or the Redemption Price hereof when due, whether at maturity, upon redemption, upon acceleration or otherwise, as applicable and such failure continues for a period of thirty (30) Business Days after the due date thereof;

(b) Conversion and the Shares. The Company fails to issue or cause to be issued Common Stock to the Holder upon exercise by the Holder of the conversion rights of the Holder under this Debenture.

(c) Certain Voluntary Proceedings. If the Company shall (i) admit in writing its inability to pay its debts generally as they become due, (ii) file a petition or answer or consent seeking relief under the Federal Bankruptcy Code, as now constituted or hereafter amended, or any other applicable Federal or state bankruptcy or insolvency law or other similar law, (iii) consent to the institution of proceedings under any law listed in 5(c)(ii) above, or to the filing of any such petition or to the appointment or taking possession of a receiver, liquidator, assignee, trustee, custodian (or other similar official) of the Company or of any substantial part of its property, or (iv) make an assignment for the benefit of its creditors,

(d) Certain Involuntary Proceedings. If a decree or order shall be entered by a court for relief in respect of the Company under the Federal Bankruptcy Code, as now constituted or hereafter amended, or any other applicable Federal or state bankruptcy or insolvency law or other similar law, or appointing a receiver, liquidator, assignee, trustee (or similar official) of the Company or of any substantial part of its property, or ordering the winding-up or liquidation of their affairs and such decree or order shall not be vacated or set aside or stayed within a period of 120 days from the date of entry thereof,

(e) Judgments. If any court of competent jurisdiction shall enter one or more final judgments against the Company or any of their respective properties or other assets in an aggregate amount in excess of \$100,000, which is not vacated, bonded, stayed, discharged, satisfied or waived for a period of thirty (30) consecutive days:

(f) Default Under Other Agreements. (a) The Company shall (i) default in any payment with respect to any indebtedness for borrowed money (other than this Debenture) which indebtedness has an outstanding principal amount in excess of \$100,000, beyond the period of grace, if any, provided in the instrument or agreement under which such indebtedness was created or (ii) default in the observance or performance of any agreement, covenant or condition relating to any such indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, any such indebtedness to become due prior to its stated maturity and such default or event shall continue beyond the period of grace, if any, provided in the instrument or agreement under which such indebtedness was created (after giving effect to any consent or waiver obtained or then in effect thereunder); or (b) any indebtedness of the Company which has an outstanding principal amount in excess of \$100,000 shall, in accordance with its terms, be declared to be due and payable, or required to be prepaid other than by a regularly scheduled or required payment prior to the stated maturity thereof,

then, upon the occurrence and during the continuation of any Event of Default all unpaid principal and interest under the Debenture will immediately become due and shall be payable and the Company shall release to the Representative the Collateral pledged hereunder. If upon the sale and distribution of the Collateral by the Representative there remains a deficiency between the amount received from the sale of the Collateral and the amount of the Debenture, the Holder's claim to the remainder of the balance due under the Debenture shall continue.

The foregoing notwithstanding, the holders of not less than 51% in aggregate principal amount of the Debentures then outstanding, by written notice to the Company, may waive any Event of Default and/or rescind and annul any such acceleration; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon

The Company agrees that it will not declare or pay any dividends on its Common Stock following the occurrence of an Event of Default so long as the Event of Default shall be continuing.

6. Remedies in Case of Event of Default. In case an Event of Default shall have occurred and be continuing, the Representative shall be entitled to exercise all of the rights, powers and remedies for the protection and enforcement of the Holders' rights in respect of the Collateral, including, without limitation, all the rights and remedies of a secured party upon a default under the UCC, and the Representative shall be entitled, without limitation, to exercise the following rights, which the Company hereby agrees to be commercially reasonable:

(a) to transfer all or any part of the Collateral into the Representative's name or the name of its nominee or nominees; and

(b) at any time from time to time to sell, assign and deliver, or grant options to purchase, all or any part of the pledged software and copyrights, at any public or private sale, without demand of performance, advertisement or notice of intention to sell or of the time or place of sale or adjournment thereof or to redeem or otherwise (all of which are hereby waived by the Company), for cash, on credit or for other property, for immediate or future delivery without any assumption of credit risk, and for such price or prices and on such terms as the Representative, in its absolute discretion, may determine. Each purchaser at any sale shall hold the property sold absolutely free from any claim or right on the part of the Company, and the Company hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of stay and/or appraisal which it now has or may at any time in the future have under rule of law or statute now existing or hereinafter enacted. At any such sale, unless prohibited by applicable law, the Representative on behalf of the Holders may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. Neither the Representative nor any Holder shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing nor shall any of them be under any obligation to take any action whatsoever with regard thereto.

7. Remedies, Etc. Cumulative. Each right, power and remedy of the Representative provided for in this Debenture, or now or hereafter existing at law or in equity or by statute shall be cumulative and concurrent and shall be in addition to every other such right, power or remedy. The exercise or commencement of the exercise by the Representative of any one or more of the rights, powers or remedies provided for in this Debenture, or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the Representative or any Holder of



all such other rights, powers or remedies, and no failure or delay on the part of the Representative or any Holder to exercise any such right, power or remedy shall operate as a waiver thereof.

8. Redemption.

(a) This Debenture may be redeemed at the option of the Company, from time to time in whole or in part, at any time on or after April 20, 2000 and prior to the Maturity Date, at a redemption price equal to the principal amount thereof, multiplied by the "Redemption Factor", plus interest accrued and unpaid thereon to the date fixed for redemption. The Redemption Factor shall be 1.5.

(b) In the case of any redemption, the Company shall give notice of such redemption to the Holder. Each such notice shall specify the date fixed for redemption (which shall not be earlier than the thirtieth or later than the sixtieth day following the date of such notice) and shall specify where payment of the principal amount of this Debenture is to be made, upon surrender hereof, and shall state that interest accrued to the date fixed for redemption will be paid as specified in said notice and that from and after said date interest hereon will cease to accrue on the principal amount so redeemed. In the event that only part of this Debenture is to be redeemed, such notice shall also specify the portion of the principal amount hereof to be redeemed, in which case the notice shall state that on and after the date fixed for redemption upon surrender of this Debenture, a new Debenture of authorized denomination in principal amount equal to the unredeemed portion of this Debenture will be issued.

(c) If the giving of notice of redemption shall have been completed as provided herein, this Debenture or portion hereof specified in such notice shall become due and payable on the date fixed for redemption and at the place stated in such notice at the applicable redemption price, together with interest accrued to the date fixed for redemption, and on and after such date (unless the Company shall default in the payment of this Debenture or portion hereof at the redemption price, together with interest accrued thereon to the date fixed for redemption) interest on the portion thereof so called for redemption shall cease to accrue. On presentation and surrender of this Debenture on or after said date fixed for redemption at said place of payment in said notice specified, this Debenture or the portion hereof to be redeemed shall be paid and redeemed by the Company at the applicable redemption price, together with interest accrued hereon to the date fixed for redemption.

9. Miscellaneous.

(a) All notices, demands, requests and other communications to be given or delivered under or by reason of the provisions of this Debenture shall be in writing and shall be deemed to have been given personally or when mailed by certified or registered mail, return receipt requested and postage prepaid, and addressed, if to the Company, at Unger Software Corporation, 226 East 54th Street, Suite 600, New York, New York 10022, Attention: Chief Executive Officer, with a copy to Parker Duryee Rosoff & Haft, 529 Fifth Avenue, 8th Floor, New York, New York 10017, Attention: Herbert Kozlov, Esq., or at such other address as specified by the Company in writing to the Holders, or, if to the Holder, at the address for such Holder on the books of registry maintained in accordance with Section 1 hereof.

(b) This Debenture and its validity, construction and performance shall be governed in all respects by the laws of the State of New York, without giving effect to principles of conflict of laws.

(c) In any case where the date of interest on or maturity of principal of this Debenture shall not be a business day, then the payment thereof shall be made on the next succeeding business day, with the same force and effect as if made on the date of maturity.

(d) This Debenture shall not be modified or amended except by a writing signed by the holders of 66 2/3% of the aggregate principal amount of all Debentures then outstanding and this Debenture may not be discharged except by performance in accordance with its terms; provided, however, that no such modification or amendment shall (i) change the aforesaid percentage of the aggregate principal amount of the Debentures, the holders of which are required to consent to such modification or amendment, or (ii) change, in a manner adversely affecting the holders of the Debentures, the principal amounts of the Debentures, the rate of interest, the dates on which principal or interest is due, the rights of the holder of any of the Debentures to convert his Debenture into Common Stock, the prices at which such conversions will be effected, or the rights and obligations of the Company to redeem the Debentures, without in each case the consent of the holder of the Debentures as to which such rights are being affected.

(e) If any provision of this Debenture shall be held to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provisions of this Debenture, and this Debenture shall be construed as if any invalid, illegal or unenforceable provisions had not been contained herein; provided however, that default in the performance or observance by the Company of any provision of this Debenture which has been held to be invalid, illegal or unenforceable shall, notwithstanding such invalidity, illegality or unenforceability, constitute an Event of Default hereunder, if such default would have constituted an Event of Default without regard to such invalidity, illegality or unenforceability.

(f) The headings of this Debenture are for convenience only and shall not control or affect the meaning or construction of any provisions hereof.

(g) If this Debenture is mutilated, lost, stolen or destroyed, the Company shall issue a new Debenture of like form and maturity to the Holder hereof upon presentment and surrender of the mutilated Debenture, in the case of mutilation, and upon receipt of evidence of loss, theft or destruction and of indemnity in all other cases, each in form satisfactory to the Company.

(h) This Debenture and any payment of principal or interest due hereunder is transferable, negotiable and assignable at the option of the Holder hereof only in compliance with the terms of this Debenture and the provisions of the Subscription Agreement, including, without limitation, the requirement of compliance with applicable state and Federal securities laws and the delivery to the Company of an opinion of counsel satisfactory to the Company of such compliance. This Debenture may be transferred by the Holder on the Debenture register of the Company, upon surrender of this Debenture for registration of transfer at the Company's office duly endorsed by, or accompanied by a

written instrument of transfer reasonably satisfactory to the Company duly executed by, the Holder or his attorney duly authorized in writing, and thereupon one or more new Debentures, for the same aggregate principal amount then outstanding, will be issued to the designated transferee or transferees. No service charge will be made for any such transfer, but the Company may require payment of a sum sufficient to cover any tax or government charge payable in connection therewith.

(i) If at any time or times after the date hereof:

(1) The Company shall pay any dividends upon its Common Stock, whether payable in cash, stock or other property, or make any distribution of its assets with respect to its Common Stock;

(2) The Company shall offer for subscription pro rata to the holders of its Common Stock any additional shares of stock of any class or other rights;

(3) The Company shall effect a reorganization, shall merge with or consolidate into another corporation, or shall sell, transfer or otherwise dispose of all or substantially all of its property, assets or business; or

(4) There shall be voluntary or involuntary dissolution, liquidation, or winding up of the Company;

then, in any one or more of such cases, the Company shall give written notice to the Holder of the Debenture of the date on which (a) a record shall be taken for such dividend, distribution, or subscription rights, or (b) such reorganization, merger, consolidation, sale, transfer or other disposition, liquidation, or winding up shall take place, as the case may be. Such notice shall also specify the date as of which the holders of Common Stock of record shall participate in such dividend, distribution, or subscription rights, or shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reorganization, merger, consolidation, sale, transfer or other disposition, liquidation or winding up, as the case may be. Such notice shall be given at least 20 days prior to the action in question and not less than 10 days prior to the record date or the date on which the Company's transfer books are closed in respect thereto.

(j) The Company shall deliver to the Holder, not later than 90 days following the end of each fiscal year of the Company, a copy of its annual financial statements (which may be in the form of a compilation statement and need not be audited) which shall include consolidated balance sheets of the Company and its subsidiary, and the related statements of income (loss) and retained earnings (deficit) and cash flows for the year then ended, prepared in accordance with standards established by the American Institute of Certified Public Accountants

(k) If any payment of principal or interest or any notice hereunder is required to be made on any date which is a Saturday, Sunday or New York State bank holiday, such payment or notice shall be made on the next succeeding day on which banks in New York State are open for business.

(l) Prior to due presentment of registration for transfer of this Debenture, the Company or any agent thereof may treat the person in whose name this Debenture is registered as the absolute owner thereof for all purposes, whether or not this Debenture is overdue

IN WITNESS WHEREOF, the Company has caused this Debenture to be duly executed, and its corporate seal to be hereunder affixed and attached.

UNGER SOFTWARE CORPORATION

By: *Donald M. Ch...*, President

ATTEST:

By:

(Seal)

CONVERSION NOTICE

TO: UNGER SOFTWARE CORPORATION

The undersigned Holder of this Debenture hereby irrevocably exercises the option to convert the amount of the unpaid principal and interest of this Debenture specified below into shares of Common Stock, \$0.01 par value, of Unger Software Corporation in accordance with the terms of this Debenture, and directs that the shares issuable and deliverable upon the conversion, together with any replacement Debenture or check in payment for a fractional share, be issued in the name of and delivered to the undersigned at the address set forth below the undersigned's signature.

Date: \_\_\_\_\_, \_\_\_\_\_

Principal amount to be converted \$ \_\_\_\_\_

Name, address and signature

\_\_\_\_\_  
Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
Signature