

10-14-1998



100850245

Registration Form Cover Sheet

TRADEMARKS ONLY

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of the conveying party (ies):

Wismer\*Martin, Inc.

7-22-98

Additional name(s) of conveying parties attached?

Yes  No

2. Name and address of receiving party(ies):

Name: Alvarez & Marsal, Inc. as Agent

Address: 599 Lexington Avenue

City: New York State: NY Zip: 10022

3. Nature of Conveyance:

Assignment  Merger  
 Security Agreement  Change of Name  
 Other \_\_\_\_\_

Execution Date: July 22, 1998

Additional name(s) attached?  Yes  No

TRADEMARK FEE PROCESS.  
RECEIVED  
1998 SEP 22 P 2:00  
US PATENT &  
TRADEMARK OFFICE

4. Application or Registration Number(s) 1,522,453

A. Trademark Application Numbers

B. Trademark Registration Numbers

1,522,453

Additional Numbers attached?  Yes  No

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

Name: CSC/Amy L. Brady

10/09/1998 NGUYEN 00000205 1522453

40.00 GP

Address: 80 STATE ST.

City: ALBANY State: NY Zip: 12207

6. Total Number of Properties involved: 1

7. Total Number of Pages of the attached conveyance document, including any attachments: 52

8. Fee Amount

Total Fee: \$40.00

Method of Payment:

Enclosed

Deposit Account

9. Deposit Account Number:

N/A

10. 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. Charges to deposit account are authorized as indicated herein.

Name: Paul M. Antinori

Signature:

Date: August 20, 1998

10/09/1998  
01 FC:481

---

GUARANTEE AND COLLATERAL AGREEMENT

made by

PHYSICIAN COMPUTER NETWORK, INC.

and certain of its Subsidiaries

in favor of

Alvarez & Marsal, Inc.,  
as Agent

Dated as of July 22, 1998

# GUARANTEE AND COLLATERAL AGREEMENT

GUARANTEE AND COLLATERAL AGREEMENT, dated as of July 22, 1998, made by each of the signatories hereto (the "Grantors"), in favor of Alvarez & Marsal., as Agent (in such capacity, the "Agent") for itself, Carter S. Evans ("Evans") and the other Indemnified Parties, as defined in Section 1.1 below .

## WITNESSETH:

WHEREAS, Physician Computer Network, Inc. ("PCN") and certain of its subsidiaries (collectively, the "Company") have entered in a letter agreement with A&M and Evans, an employee of A&M, dated the date hereof pursuant to which A&M has been retained to provide certain services to the Company for the benefit of the Company and its subsidiaries and in rendering those services, Evans is to serve as a senior officer of PCN (as the same may be amended, modified, supplemented or restated from time to time, the "Engagement Agreement");

WHEREAS, pursuant to indemnity provisions incorporated by reference into the Engagement Agreement, the Company has indemnified A&M, its employees, partners, agents and representatives, including Evans and any other employee of A&M who may become an officer of PCN from time to time (collectively, the "Indemnified Parties"), and has agreed to secure its indemnity obligations;

WHEREAS, the Grantors acknowledge that the services to be rendered by A&M and Evans are for the benefit of the affiliated group of companies of which they are a part and are willing to provide security for the Obligations (as defined in Section 1.1); and

WHEREAS, it is a condition to the willingness of A&M and Evans to enter into the Engagement Agreement and provide the services on the terms provided therein that the Grantors enter into this Agreement and grant the security interests provided for herein;

NOW, THEREFORE, in consideration of the premises and to induce A&M and Evans to enter into the Engagement Agreement and provide the services required thereunder, each Grantor hereby covenants and grants for the benefit of the Agent, on behalf of the Indemnified Parties, as follows:

## SECTION 1. DEFINED TERMS

1.1 Definitions.(a) Unless otherwise defined herein, the following terms which are defined in the Uniform Commercial Code in effect in the State of New York on the date hereof are used herein as so defined: Accounts, Chattel Paper, Documents, Equipment, Farm Products, Instruments and Inventory.

(b) The following terms shall have the following meanings:

**“Agent”**: as defined in the preamble to this Agreement.

**“Agreement”**: this Guarantee and Collateral Agreement, as the same may be amended, supplemented, restated or otherwise modified from time to time.

**“Collateral”**: as defined in Section 3.

**“Company”**: as defined in the recitals to this Agreement.

**“Company Obligations”**: the collective reference to (i) all of the Company’s obligations under the indemnity provisions incorporated by reference into the Engagement Agreement and any amendments, modifications, supplements or restatements from time to time of such provisions and all other indemnity obligations of the Company to any or all of the Indemnified Parties, whether arising under the Company’s corporate documents or by operation of law or otherwise and (ii) all obligations and liabilities of the Company which may arise under or in connection with this Agreement, whether on account of the Company Obligations, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Agent or to the Indemnified Parties that are required to be paid by the Company pursuant to the terms of this Agreement).

**“Contracts”**: the contracts and agreements listed in Schedule 7 and, to the extent assignment thereof is not expressly prohibited, all other contracts and agreements to which any Grantor is a beneficiary or has any rights, in each case as the same may be amended, supplemented, restated or otherwise modified from time to time, including, without limitation, (i) all rights of any Grantor to receive moneys due and to become due to it thereunder or in connection therewith, (ii) all rights of any Grantor to damages arising thereunder and (iii) all rights of any Grantor to perform and to exercise all remedies thereunder.

**“Copyrights”**: (i) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished (including, without limitation, those listed in Schedule 6), all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications in the United States Copyright Office, and (ii) the right to obtain all renewals thereof.

**“Copyright Licenses”**: any written agreement naming any Grantor as licensor or licensee (including, without limitation, those listed in Schedule 6), granting any right under any Copyright, including, without limitation, the grant of rights to manufacture, distribute, exploit and sell materials derived from any Copyright.

**“Credit Agreement”**: the Credit Agreement dated as of September 10, 1997 by and among the Company, Fleet Bank, N.A., as administrative agent for the banks and financial

institutions or entities from time to time parties thereto, and such banks, financial institutions and other entities, as modified by the Forbearance and Amendment Agreement dated as of April 22, 1998, and as it may be further amended, supplemented, restated or otherwise modified from time to time.

**“Disposition Assets”**: (i) the assets used or usable by PCN and its subsidiaries in connection with the business of selling, licensing or providing integrated information systems, and the maintenance and support of such systems, to customers not engaged in the health care industry (whether such assets are currently owned by PCN or one or more of its subsidiaries or subsequently acquired by PCN or one or more of its subsidiaries as part of an acquisition permitted under the Credit Agreement), including, without limitation, the construction, timber fuel oil and publishing businesses, (ii) the assets or stock of Integrated Health Systems, Inc., a subsidiary of PCN engaged in the business of providing information systems and software products to hospitals, clinics or the like, (iii) the real property located in Mead, Washington which is owned by PCN's subsidiary, Wismer Martin, Inc., (iv) worn or obsolete equipment disposed of in the ordinary course of business, (v) inventory sold in the ordinary course of business (all of clauses (i) - (v), to the extent permitted under the Credit Agreement without further waiver, amendment, consent or other modification of the terms thereof), (vi) the business constituting the sale of printed medical forms and other office supplies, as currently operated by Solion Corp., a subsidiary of PCN, and (vii) the hardware maintenance and support business.

**“Engagement Agreement”**: as defined in the recitals to this Agreement.

**“Evans”**: as defined in the preamble to this Agreement.

**“General Intangibles”**: all “general intangibles” as such term is defined in Section 9-106 of the Uniform Commercial Code in effect in the State of New York on the date hereof and, in any event, including, without limitation, with respect to any Grantor, all contracts, agreements, instruments and indentures in any form, and portions thereof, to which such Grantor is a party or under which such Grantor has any right, title or interest or to which such Grantor or any property of such Grantor is subject, as the same may from time to time be amended, supplemented, restated or otherwise modified, including, without limitation, (i) all rights of such Grantor to receive moneys due and to become due to it thereunder or in connection therewith, (ii) all rights of such Grantor to damages arising thereunder and (iii) all rights of such Grantor to perform and to exercise all remedies thereunder, in each case to the extent the grant by such Grantor of a Lien pursuant to this Agreement in its right, title and interest in such contract, agreement, instrument or indenture is not prohibited by such contract, agreement, instrument or indenture without the consent of any other party thereto, would not give any other party to such contract, agreement, instrument or indenture the right to terminate its obligations thereunder, or is permitted with consent if all necessary consents to such grant of a Lien have been obtained from the other parties thereto (it being understood that the foregoing shall not be deemed to obligate such Grantor to obtain such consents); provided, that the foregoing limitation shall not affect, limit, restrict or impair the grant by such Grantor of a Lien pursuant to this Agreement in any Receivable or any money or other amounts due or to become due under any such contract, agreement, instrument or indenture.

**“Grantors”**: as defined in the preamble to this Agreement.

**“Guarantor Obligations”**: with respect to any Guarantor, the collective reference to (i) the Company Obligations and (ii) all obligations and liabilities of such Guarantor which may arise under or in connection with this Agreement, whether on account of guarantee obligations, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Agent or to the Indemnified Parties that are required to be paid by such Guarantor pursuant to the terms of this Agreement).

**“Guarantors”**: the collective reference to each direct or indirect subsidiary of PCN which may from time to time become a Grantor and party to this Agreement after the date hereof pursuant to Section 8.15 .

**“Hedge Agreements”**: as to any entity, all interest rate swaps, caps or collar agreements or similar arrangements entered into by such entity providing for protection against fluctuations in interest rates or currency exchange rates or the exchange of nominal interest obligations, either generally or under specific contingencies.

**“Indemnified Parties”**: as defined in the recitals to this Agreement.

**“Intellectual Property”**: the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks and the Trademark Licenses, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

**“Intercompany Note”**: any promissory note evidencing loans made by any Grantor to any of its subsidiaries.

**“Intercreditor Agreement”**: the Intercreditor Agreement dated as of the date hereof by and between A&M and Fleet Bank, N.A., as administrative agent for certain financial institutions, banks and other entities (not including the Company) parties to the Credit Agreement, as it may be amended, modified, supplement or restated from time to time.

**“Issuers”**: the collective reference to each Issuer of a Pledged Security.

**“Lien”**: any lien, security interest, encumbrance, mortgage, pledge or assignment of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest) and any option, trust or other preferential arrangement having the practical effect of any of the foregoing.

**"New York UCC"**: the Uniform Commercial Code as from time to time in effect in the State of New York.

**"Obligations"**: (i) in the case of the Company, the Company Obligations, and (ii) in the case of each Guarantor, its Guarantor Obligations.

**"Patents"**: (i) all letters patent of the United States, any other country or any political subdivision thereof, all reissues and extensions thereof and all goodwill associated therewith, including, without limitation, any of the foregoing referred to in Schedule 6, (ii) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof, including, without limitation, any of the foregoing referred to in Schedule 6, and (iii) all rights to obtain any reissues or extensions of the foregoing.

**"Patent License"**: all agreements, whether written or oral, providing for the grant by or to any Grantor of any right to manufacture, use or sell any invention covered in whole or in part by a Patent, including, without limitation, any of the foregoing referred to in Schedule 6.

**"PCN"**: as defined in the recitals to this Agreement.

**"Pledged Notes"**: all promissory notes listed on Schedule 2, all Intercompany Notes at any time issued to any Grantor and all other promissory notes issued to or held by any Grantor (other than promissory notes issued in connection with extensions of trade credit by any Grantor in the ordinary course of business).

**"Pledged Securities"**: the collective reference to the Pledged Notes and the Pledged Stock.

**"Pledged Stock"**: the shares of stock listed on Schedule 2, together with any other shares, stock certificates, options or rights of any nature whatsoever in respect of the stock of any entity that may be issued or granted to, or held by, any Grantor while this Agreement is in effect.

**"Proceeds"**: all "proceeds" as such term is defined in Section 9-306(1) of the Uniform Commercial Code in effect in the State of New York on the date hereof and, in any event, shall include, without limitation, all dividends or other income from the Pledged Securities, collections thereon or distributions or payments with respect thereto and any insurance proceeds from any of the Collateral.

**"Receivable"**: any right to payment for goods sold or leased or for services rendered, whether or not such right is evidenced by an Instrument or Chattel Paper and whether or not it has been earned by performance (including, without limitation, any Account).

**"Sale of PCN"**: the sale by one or more of the shareholders of PCN of a majority of the outstanding common stock of PCN; (b) the merger or consolidation of PCN with or into any other entity in a transaction in which the shareholders of PCN immediately prior to the

consummation of such transaction collectively own less than 50% of the common stock and voting power of the entity surviving such transaction (or any other business combination transaction having a similar effect); (c) the sale of all or substantially all of the assets of the Company; or (d) Jeffrey M. Picower or any entity controlled by Mr. Picower engages in a Rule 13e-3 Transaction (as defined in Rule 13e-3 of the Securities and Exchange Act of 1934, as amended (provided, that the reference in Rule 13e-3(a)(3)(ii) to the phrase "to be held of record by less than 300 persons" shall be deemed to be replaced with the phrase "to be held beneficially by less than 300 person") for the Company.

**"Securities Act":** the Securities Act of 1933, as amended.

**"Senior Guarantee and Collateral Agreement":** the Guarantee and Collateral Agreement dated as of September 10, 1997 by the Company and certain of its subsidiaries in favor of Fleet Bank, N.A., as administrative agent for the lenders parties to the Credit Agreement, as the same may be amended, modified, supplemented or restated from time to time.

**"Termination Date":** the first date by which all of the following events have occurred: (i) the second anniversary of the date on which the engagement of A&M or any of its employees under the Engagement Agreement has been effectively terminated in accordance with its terms; (ii) all commenced claims and actions against any Indemnified Party of the type described in the indemnity provisions incorporated by reference in the Engagement Letter have been either dismissed with prejudice, settled and satisfied or reduced to judgment and satisfied with all appeals periods ended and no appeals pending; and (iii) all absolute Company Obligations have been fixed and satisfied by payment in full and all applicable preference periods have passed without any objection to payments of the Company Obligations having been made.

**"Trademarks":** (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and all goodwill associated therewith now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, and all common-law rights related thereto, including, without limitation, any of the foregoing referred to in Schedule 6, and (ii) the right to obtain all renewals thereof.

**"Trademark License":** any agreement, whether written or oral, providing for the grant by or to any Grantor of any right to use any Trademark, including, without limitation, any of the foregoing referred to in Schedule 6.

1.2 **Other Definitional Provisions.** (a) The words "hereof," "herein", "hereto" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and Schedule references are to this Agreement unless otherwise specified.



(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(c) Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor's Collateral or the relevant part thereof.

(d) Defined terms used but not defined in this Agreement shall have the meaning given to them in the Credit Agreement as in effect on the date hereof.

## SECTION 2. GUARANTEE

2.1 **Guarantee.** It is contemplated that additional subsidiaries of PCN may become parties to this Agreement as Grantors after the date hereof. Each such additional party will also be a Guarantor and fully bound by this Agreement as if it had been a party hereto on the date hereof. Accordingly, (a) each of the Guarantors hereby, jointly and severally, unconditionally and irrevocably, guarantees to the Agent, for the ratable benefit of the Indemnified Parties and their respective successors and assigns, the prompt and complete payment and performance by the Company when required of the Company Obligations.

(b) Anything herein to the contrary notwithstanding, the maximum liability of each Guarantor hereunder shall in no event exceed the lesser of (x) the amount which can be guaranteed by such Guarantor under applicable federal and state laws relating to the insolvency of debtors (after giving effect to the right of contribution established in Section 2.2) and (y) the amount which, when aggregated with all other amounts paid by the Guarantors and the Grantors hereunder, equals \$10,000,000.

(c) Each Guarantor agrees that the Company Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without impairing the guarantee contained in this Section 2 or affecting the rights and remedies of the Agent or any Indemnified Party hereunder.

(d) The guarantee contained in this Section 2 shall remain in full force and effect until the Termination Date.

(e) No payment made by the Company, any of the Guarantors, any other guarantor or any other entity or person or received or collected by the Agent or any Indemnified Party from the Company, any of the Guarantors, any other guarantor or any other entity or person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Company Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Guarantor hereunder which shall, notwithstanding any such payment (other than any payment made by such Guarantor in respect of the Company Obligations or any payment received or collected from such Guarantor in respect of

the Company Obligations), remain liable for the Company Obligations up to the maximum liability of such Guarantor hereunder until the Termination Date.

2.2 Right of Contribution. Each Guarantor hereby agrees that to the extent that a Guarantor shall have paid more than its proportionate share of any payment made hereunder, such Guarantor shall be entitled to seek and receive contribution from and against any other Guarantor hereunder which has not paid its proportionate share of such payment. Each Guarantor's right of contribution shall be subject to the terms and conditions of Section 2.3. The provisions of this Section 2.2 shall in no respect limit the obligations and liabilities of any Guarantor to the Agent and the Indemnified Parties, and each Guarantor shall remain liable to the Agent and the Indemnified Parties for the full amount guaranteed by such Guarantor hereunder.

2.3 No Subrogation. Notwithstanding any payment made by any Guarantor hereunder or any set-off or application of funds of any Guarantor by the Agent or any Indemnified Party, no Guarantor shall be entitled to be subrogated to any of the rights of the Agent or any Indemnified Party against the Company or any other Guarantor or any collateral security or guarantee or right of offset held by the Agent or any Indemnified Party for the payment of the Company Obligations, nor shall any Guarantor seek or be entitled to seek any contribution or reimbursement from the Company or any other Guarantor in respect of payments made by such Guarantor hereunder, until after the Termination Date.

2.4 Amendments, etc. with respect to the Company Obligations. Each Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against any Guarantor and without notice to or further assent by any Guarantor, any demand for payment of any of the Company Obligations made by the Agent or any Indemnified Party may be rescinded by the Agent or such Indemnified Party and any of the Company Obligations continued, and the Company Obligations, or the liability of any other entity or person upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Agent or any Indemnified Party, and the Engagement Agreement, including the indemnification provisions, may be amended, modified, supplemented or terminated, in whole or in part, as the Agent, Evans or any other party to the Engagement Agreement may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by the Agent or any Indemnified Party for the payment of the Company Obligations may be sold, exchanged, waived, surrendered or released. Neither the Agent nor any Indemnified Party shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Company Obligations or for the guarantee contained in this Section 2 or any property subject thereto.

2.5 Guarantee Absolute and Unconditional. Each Guarantor waives any and all notice of the creation, renewal of any of the Company Obligations, any extension in duration or increase in scope of the engagement, the addition of any of A&M's employees as employees, officers or directors of the Company and notice of or proof of reliance by the Agent or any Indemnified Party upon the guarantee contained in this Section 2 or acceptance of the guarantee contained in this Section 2; the Company Obligations, and any of them, shall conclusively be

deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon the guarantee contained in this Section 2; and all dealings between the Company and any of the Guarantors, on the one hand, and the Agent and the Indemnified Parties, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon the guarantee contained in this Section 2. Each Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Company or any of the Guarantors with respect to the Company Obligations. Each Guarantor understands and agrees that the guarantee contained in this Section 2 shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (a) the validity or enforceability of the Engagement Agreement, including the indemnity provisions, any of the Company Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the Agent or any Indemnified Party, (b) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by the Company or any other entity or person against the Agent or any Indemnified Party, or (c) any other circumstance whatsoever (with or without notice to or knowledge of the Company or such Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Company for the Company Obligations, or of such Guarantor under the guarantee contained in this Section 2, in bankruptcy or in any other instance. When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against any Guarantor, the Agent or any Indemnified Party may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as it may have against the Company, any other Guarantor or any other entity or person or against any collateral security or guarantee for the Company Obligations or any right of offset with respect thereto, and any failure by the Agent or any Indemnified Party to make any such demand, to pursue such other rights or remedies or to collect any payments from the Company, any other Guarantor or any other entity or person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Company, any other Guarantor or any other entity or person or any such collateral security, guarantee or right of offset, shall not relieve any Guarantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Agent or any Indemnified Party against any Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

2.6 **Reinstatement.** The guarantee contained in this Section 2 shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Company Obligations is rescinded or must otherwise be restored or returned by the Agent or any Indemnified Party upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Company or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Company or any Guarantor or any substantial part of its property, or otherwise, all as though such payments had not been made.

2.7 **Payments.** Each Guarantor hereby guarantees that payments hereunder will be paid to the Agent without set-off or counterclaim in United States dollars at the office of the Agent located at 599 Lexington Avenue, New York, New York 10022.

### SECTION 3. GRANT OF SECURITY INTEREST

Each Grantor hereby assigns and transfers to the Agent, and hereby grants to the Agent, for the ratable benefit of the Indemnified Parties, a security interest in, all of the following property now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Collateral"), as collateral security for the prompt and complete payment and performance when owed of such Grantor's Obligations,:

- (a) all Accounts;
- (b) all Chattel Paper;
- (c) all Contracts;
- (d) all Documents;
- (e) all Equipment;
- (f) all General Intangibles;
- (g) all Instruments;
- (h) all Intellectual Property;
- (i) all Inventory;
- (j) all Pledged Securities (except the shares of Integrated Health Systems, Inc);
- (k) all books and records pertaining to the Collateral; and
- (l) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security and guarantees given by any entity or person with respect to any of the foregoing.

### SECTION 4. REPRESENTATIONS AND WARRANTIES

To induce the Agent to enter into this Agreement and to induce the Indemnified Parties (or A&M on their behalf) to enter into the Engagement Agreement and render the services provided for thereunder, each Grantor hereby represents and warrants to the Agent and each Indemnified Party that:

4.1 **General Representations.** In the case of each Grantor, (a) it is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation; (b) it has all requisite corporate power and authority to enter into this Agreement; (c) it has obtained all necessary consent and taken all necessary corporate action to enter into and perform under this Agreement; (d) the execution, delivery and performance by such Grantor of this Agreement will not violate, breach or contravene any laws, regulations, rules, corporate documents, judicial or administrative orders or rulings, material contracts, indentures, mortgages or other agreements and instruments, in each case to which it is subject or bound or result in a Lien in its properties or assets (other than the Liens created in favor of the Agent hereunder); and (e) this Agreement has been duly authorized, executed and delivered by such Grantor and is the legally valid and binding obligation of such Grantor enforceable against it in accordance with the terms hereof, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

4.2 **Title: No Other Liens.** Except for the Liens granted to Fleet Bank, N.A., as administrative agent under the Senior Guarantee and Collateral Agreement, the other Liens permitted to exist on the Collateral by the Credit Agreement and the Lien granted to the Agent for the ratable benefit of the Indemnified Parties pursuant to this Agreement, such Grantor owns each item of the Collateral free and clear of any and all Liens or claims of others. No financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as have been filed in favor of Fleet Bank, N.A., as administrative agent, for the ratable benefit of the lenders parties to the Credit Agreement or as are permitted by the Credit Agreement or as have been filed in favor of the Agent for the ratable benefit of the Indemnified Parties pursuant to this Agreement.

4.3 **Perfected Second Priority Liens.** The Company has duly completed, executed and recorded all filings and taken all other action specified on Schedule 3 and the security interests granted pursuant to this Agreement constitute valid perfected security interests in all of the Collateral in favor of the Agent, for the ratable benefit of the Indemnified Parties, as collateral security for such Grantor's Obligations, enforceable in accordance with the terms hereof against all creditors of such Grantor and any entities or persons purporting to purchase any Collateral from such Grantor and (b) are prior to all other Liens on the Collateral in existence on the date hereof except for (i) unrecorded Liens permitted by the Credit Agreement which have priority over the Lien against the Collateral in favor of the Agent by operation of law, (ii) liens and security interests filed in favor of Fleet Bank, N. A., as administrative agent for the lenders parties to the Credit Agreement pursuant thereto and (iii) other Liens permitted by the Credit Agreement to be senior to the liens and security interests described in clause (ii).

4.4 **Chief Executive Office.** On the date hereof, such Grantor's jurisdiction of organization and the location of such Grantor's chief executive office or sole place of business are specified on Schedule 4.

4.5 **Inventory and Equipment.** On the date hereof, the Inventory and the Equipment of the Company (other than mobile goods) are kept at the locations listed on Schedule 5.

4.6 Farm Products. None of the Collateral constitutes, or is the Proceeds of, Farm Products.

4.7 Pledged Securities. (a) The shares of Pledged Stock pledged by such Grantor hereunder constitute all the issued and outstanding shares of all classes of the capital stock of each Issuer owned by such Grantor (except for the shares of Integrated Health Systems, Inc.).

(b) All the shares of the Pledged Stock have been duly and validly issued and are fully paid and nonassessable.

(c) Each of the Pledged Notes constitutes the legal, valid and binding obligation of the obligor with respect thereto, enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(d) Such Grantor is the record and beneficial owner of, and has good and marketable title to, the Pledged Securities pledged by it hereunder, free of any and all security interests or options in favor of, or claims of, any other entity or person, except the security interest held by Fleet Bank, N.A., as administrative agent for the lenders parties to the Credit Agreement and the security interest held by the Agent for the ratable benefit of the Indemnified Parties created by this Agreement.

4.8 Receivables. (a) No amount payable to such Grantor under or in connection with any Receivable is evidenced by any Instrument or Chattel Paper which has not been delivered to the Agent (or to Fleet Bank, N.A., as bailee for the Agent pursuant to the Intercreditor Agreement).

(b) None of the obligors on any Receivables is a governmental authority.

(c) The amounts represented by such Grantor to the Agent from time to time as owing to such Grantor in respect of the Receivables will at such times be accurate.

4.9 Contracts. (a) No consent of any party (other than such Grantor) to any Contract is required, or purports to be required, in connection with the execution, delivery and performance of this Agreement.

(b) Each Contract is in full force and effect and constitutes a valid and legally enforceable obligation of the parties thereto, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(c) No consent or authorization of filing with or other act by or in respect of any governmental authority is required in connection with the execution, delivery, performance, validity or enforceability of any of the Contracts by any party thereto other than those which have been duly obtained, made or performed, are in full force and effect and do not subject the scope of any such Contract to any material adverse limitation, either specific or general in nature.

(d) Neither such Grantor nor (to the best of such Grantor's knowledge) any of the other parties to the Contracts is in default in the performance or observance of any of the terms thereof in any manner that, in the aggregate, could reasonably be expected to have a material adverse effect on the Company and its subsidiaries taken as a whole.

(e) The right, title and interest of such Grantor in, to and under the Contracts are not subject to any defenses, offsets, counterclaims or claims that, in the aggregate, could reasonably be expected to have a material adverse effect on the Company and its subsidiaries taken as a whole.

(f) [Intentionally omitted.]

(g) No amount payable to such Grantor under or in connection with any Contract is evidenced by any Instrument or Chattel Paper which has not been delivered to the Agent (or to Fleet Bank, N.A., as bailee for the Agent pursuant to the Intercreditor Agreement).

(h) None of the parties to any Contract is a governmental authority.

4.10 Intellectual Property. (a) Schedule 6 lists all material Intellectual Property owned by such Grantor in its own name on the date hereof.

(b) On the date hereof, all material Intellectual Property is valid, subsisting, unexpired and enforceable, has not been abandoned and does not infringe the intellectual property rights of any other entity or person, except to the extent that could not reasonably be expected to have a material adverse effect on the Company and its subsidiaries taken as a whole.

(c) Except as set forth in Schedule 6, on the date hereof, none of the Intellectual Property is the subject of any licensing or franchise agreement pursuant to which such Grantor is the licensor or franchiser, other than pursuant to any licensing or reseller agreements entered into by such Grantor in the ordinary course of business consistent with its past practice.

(d) No holding, decision or judgment has been rendered by any governmental authority which would limit, cancel or question the validity of, or such Grantor's rights in, any Intellectual Property in any respect that could reasonably be expected to have a material adverse effect on the Company and its subsidiaries taken as a whole.

(e) No action or proceeding is pending, or, to the knowledge of such Grantor, threatened, on the date hereof (i) seeking to limit, cancel or question the validity of any

Intellectual Property or such Grantor's ownership interest therein, or (ii) which, if adversely determined, would have a material adverse effect on the value of any Intellectual Property.

4.11 Perfection. The Agent has a perfected security interest in all of the assets and properties of PCN and its subsidiaries except for the shares of capital stock of Integrated Health System, Inc. and the assets and properties of Integrated Health System, Inc. on the date hereof.

## SECTION 5. COVENANTS

Each Grantor covenants and agrees with the Agent and the Indemnified Parties that, from and after the date of this Agreement until the Termination Date:

5.1 Maintenance and Sales of Collateral. The aggregate fair market value (as reasonably determined by the Agent and the Company) of the Collateral in which the Agent has a perfected security interest will at no time be less than the lesser of (x) the sum of (I) \$12,500,000 and (II) two and one-half times the amount of obligations secured by Liens in the Collateral senior to the perfected security interests in favor of the Agent and (y) the aggregate fair market value (as reasonably determined by the Agent and the Company) of all the assets and properties of the Company and its subsidiaries and each Grantor will, to the extent necessary to avoid a default under this provision, cause one or more of its subsidiaries to become a Guarantor and Grantor in accordance with Section 8.15 hereof. At no time will the obligations arising under or in connection with the Credit Agreement be secured by assets or properties of the Company or any of its subsidiaries unless a perfected security interest in such assets or properties shall have been granted to the Agent for the ratable benefit of the Indemnified Parties senior to all other Liens except as permitted under Section 4.3. Except as permitted in Section 8.16(b), no Grantor will sell, lease, transfer or otherwise dispose of any assets or property (it being understood that the expenditure of cash to satisfy obligations incurred and paid in the ordinary course of business for goods and services does not constitute such a disposition) if as a result thereof, the fair market value (as reasonably determined by the Agent and the Company) of the Collateral in which the Agent has a perfected security interest will be less than the sum of (x) \$12,500,000 and (y) two and one-half times the amount of obligations secured by Liens in the Collateral senior to the perfected security interests in favor of the Agent.

5.2 Delivery of Instruments and Chattel Paper. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument or Chattel Paper, such Instrument or Chattel Paper shall be immediately delivered to the Agent, duly indorsed in a manner satisfactory to the Agent, to be held as Collateral pursuant to this Agreement (or to Fleet Bank, N.A., as bailee for the Agent under the Intercreditor Agreement).

5.3 Maintenance of Insurance. Such Grantor will maintain, with financially sound and reputable companies, insurance policies equivalent to those required by the Credit Agreement as in effect on the date hereof.



5.4 Payment of Obligations. Such Grantor will pay and discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to the Collateral, to the extent required by the terms of the Credit Agreement as in effect on the date hereof.

5.5 Maintenance of Perfected Security Interest: Further Documentation. (a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 4.3 and shall defend such security interest against the claims and demands of all entities or persons whomsoever.

(b) Such Grantor will furnish to the Agent from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Agent may reasonably request, all in reasonable detail.

(c) At any time and from time to time, upon the written request of the Agent, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as the Agent may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, the filing of any financing or continuation statements under the Uniform Commercial Code (or other similar laws) in effect in any jurisdiction with respect to the security interests created hereby.

5.6 Changes in Locations, Name, etc. Such Grantor will not, except upon 15 days' prior written notice to the Agent and delivery to the Agent of (a) all additional executed financing statements and other documents reasonably requested by the Agent to maintain the validity, perfection and priority of the security interests provided for herein and (b) if applicable, a written supplement to Schedule 5 showing any additional location at which Inventory or Equipment shall be kept:

(i) permit any of the Inventory or Equipment to be kept at a location other than those listed on Schedule 5;

(ii) change the location of its chief executive office or sole place of business from that referred to in Section 4.4; or

(iii) change its name, identity or corporate structure to such an extent that any financing statement filed by the Agent in connection with this Agreement would become misleading.

5.7 Notices. Such Grantor will advise the Agent promptly, in reasonable detail, of

(a) any Lien (other than Liens created hereby or Liens permitted under or created pursuant to the Credit Agreement) on any of the Collateral which would adversely affect the ability of the Agent to exercise any of its remedies hereunder; and

(b) of the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the security interests created hereby.

5.8 Pledged Securities. (a) If such Grantor shall become entitled to receive or shall receive any stock certificate (including, without limitation, any certificate representing a stock dividend or a distribution in connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), option or rights in respect of the capital stock of any Issuer, whether in addition to, in substitution of, as a conversion of, or in exchange for, any shares of the Pledged Stock or otherwise in respect thereof, such Grantor shall accept the same as the agent of the Agent and the Indemnified Parties, hold the same in trust for the Agent and the Indemnified Parties and deliver the same forthwith to the Agent in the exact form received, duly indorsed by such Grantor to the Agent, (or to Fleet Bank, N.A., as bailee for the Agent under the Intercreditor Agreement) if required, together with an undated stock power covering such certificate duly executed in blank by such Grantor and with, if the Agent so requests, signature guaranteed, to be held by the Agent (or Fleet Bank, N.A., as bailee for the Agent under the Intercreditor Agreement), subject to the terms hereof, as additional collateral security for the Obligations. Any sums paid upon or in respect of the Pledged Securities at any time when the Company is in default of the Company Obligations shall be paid over to the Agent to be applied to the Company Obligations, and in case any property shall be distributed upon or with respect to the Pledged Securities pursuant to the recapitalization or reclassification of the capital of any Issuer or pursuant to the reorganization, liquidation or dissolution thereof, the property so distributed shall, unless otherwise subject to a perfected security interest in favor of the Agent, be delivered to the Agent to be held by it hereunder as additional collateral security for the Obligations (or to Fleet Bank, N.A., as bailee for the Agent under the Intercreditor Agreement). If any such sums of money so paid and required to be applied to the Company Obligations, or if any such property so distributed shall be received by such Grantor, such Grantor shall, until such money is paid to the Agent, if so required, or property is delivered to the Agent (or to Fleet Bank, N.A., as bailee for the Agent under the Intercreditor Agreement), hold such money or property in trust for the Indemnified Parties, segregated from other funds of such Grantor, as additional collateral security for the Obligations.

(b) Without the prior written consent of the Agent, such Grantor will not (i) vote to enable, or take any other action to permit, any Issuer to issue any stock or other equity securities of any nature or to issue any other securities convertible into or granting the right to purchase or exchange for any stock or other equity securities of any nature of any Issuer unless the Agent shall also be granted, at the time of issuance, a perfected security interest in such equity securities or securities having the same priority as the security interest in favor of the Agent in the Issuer's other equity securities, (ii) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Pledged Securities or Proceeds, (iii) create, incur or permit to exist any Lien or option in favor of, or any claim of any entity or person with

respect to, any of the Pledged Securities or Proceeds thereof, or any interest therein, except for the Liens created by this Agreement or in favor of Fleet Bank, N.A., as administrative agent for the lenders parties to the Credit Agreement, or (iv) enter into any agreement or undertaking restricting the right or ability of such Grantor or the Agent to sell, assign or transfer any of the Pledged Securities or Proceeds thereof (other than the Credit Agreement).

(c) In the case of each Grantor which is an Issuer, such Issuer agrees that (i) it will be bound by the terms of this Agreement relating to the Pledged Securities issued by it and will comply with such terms insofar as such terms are applicable to it, (ii) it will notify the Agent promptly in writing of the occurrence of any of the events described in Section 5.8(a) with respect to the Pledged Securities issued by it and (iii) the terms of Sections 6.3(c) and 6.7 shall apply to it, mutatis mutandis, with respect to all actions that may be required of it pursuant to Section 6.3(c) or 6.7 with respect to the Pledged Securities issued by it.

5.9 Receivables. (a) Other than in the ordinary course of business consistent with its past practice, such Grantor will not (i) grant any extension of the time of payment of any Receivable, (ii) compromise or settle any Receivable for less than the full amount thereof, (iii) release, wholly or partially, any entity or person liable for the payment of any Receivable, (iv) allow any credit or discount whatsoever on any Receivable or (v) amend, supplement or modify any Receivable in any manner that could adversely affect the value thereof.

(b) Such Grantor will deliver to the Agent a copy of each material demand, notice or document received by it that questions or calls into doubt the validity or enforceability of more than 50% of the aggregate amount of the then outstanding Receivables.

5.10 Contracts. Except in the ordinary course of business consistent with its past practice:

(a) Such Grantor will perform and comply in all material respects with all its obligations under the Contracts.

(b) Such Grantor will not amend, modify, terminate or waive any provision of any Contract in any manner which could reasonably be expected to materially adversely affect the value of such Contract as Collateral.

(c) Such Grantor will exercise promptly and diligently each and every material right which it may have under each Contract (other than any right of termination).

(d) Such Grantor will deliver to the Agent a copy of each material demand, notice or document received by it relating in any way to any Contract that questions the validity or enforceability of such Contract.

5.11 Intellectual Property. (a) Such Grantor (either itself or through licensees) will (i) continue to use each material Trademark on each and every trademark class of goods applicable to its current line as reflected in its current catalogs, brochures and price lists in order to maintain

such Trademark in full force free from any claim of abandonment for non-use, (ii) maintain as in the past the quality of products and services offered under such Trademark, (iii) use such Trademark with the appropriate notice of registration and all other notices and legends required by applicable Requirements of Law, (iv) not adopt or use any mark which is confusingly similar or a colorable imitation of such Trademark unless the Agent, for the ratable benefit of the Indemnified Parties, shall obtain a perfected security interest in such mark pursuant to this Agreement, and (v) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby such Trademark may become invalidated or impaired in any way.

(b) Except in the ordinary course of business consistent with its past practice, such Grantor (either itself or through licensees) will not do any act, or omit to do any act, whereby any material Patent may become forfeited, abandoned or dedicated to the public.

(c) Such Grantor (either itself or through licensees) (i) will employ each material Copyright and (ii) will not (and will not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any material portion of the Copyrights may become invalidated or otherwise impaired. Such Grantor will not (either itself or through licensees) do any act whereby any material portion of the Copyrights may fall into the public domain.

(d) Such Grantor (either itself or through licensees) will not do any act that knowingly uses any material Intellectual Property to infringe the intellectual property rights of any other Person.

(e) Such Grantor will notify the Agent immediately if it knows, or has reason to know, that any application or registration relating to any material Intellectual Property may become forfeited, abandoned or dedicated to the public, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court or tribunal in any country) regarding such Grantor's ownership of, or the validity of, any material Intellectual Property or such Grantor's right to register the same or to own and maintain the same.

(f) Whenever such Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, such Grantor shall report such filing to the Agent within five Business Days after the last day of the fiscal quarter in which such filing occurs. Upon request of the Agent, such Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents, and papers as the Agent may request to evidence the Agent's and the Indemnified Parties' security interest in any Copyright, Patent or Trademark and the goodwill and general intangibles of such Grantor relating thereto or represented thereby.

(g) Such Grantor will take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of the material Intellectual Property, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

(h) In the event that any material Intellectual Property is infringed, misappropriated or diluted by a third party, such Grantor shall (i) take such actions as such Grantor shall reasonably deem appropriate under the circumstances to protect such Intellectual Property and (ii) if such Intellectual Property is of material economic value, promptly notify the Agent after it learns thereof and sue for infringement, misappropriation or dilution, to seek injunctive relief where appropriate and to recover any and all damages for such infringement, misappropriation or dilution.

## SECTION 6. REMEDIAL PROVISIONS

### 6.1 Certain Matters Relating to Receivables. (a) [Intentionally omitted.]

(b) The Agent hereby authorizes each Grantor to collect such Grantor's Receivables, subject to the Agent's direction and control, and the Agent may curtail or terminate said authority at any time while the Company is in default of the Company Obligations. If required by the Agent at any time while the Company is in default of the Company Obligations, any payments of Receivables, when collected by any Grantor, (i) shall be forthwith (and, in any event, within two Business Days) delivered by such Grantor in the exact form received, duly indorsed by such Grantor to the Agent if required, to the Agent to be applied to the Obligations and (ii) until so turned over, shall be held by such Grantor in trust for the Agent and the Indemnified Parties, segregated from other funds of such Grantor. Each such delivery of Proceeds of Receivables shall be accompanied by a report identifying in reasonable detail the nature and source of the payments included in the delivery.

(c) At the Agent's request, each Grantor shall deliver to the Agent all original and other documents evidencing, and relating to, the agreements and transactions which gave rise to the Receivables, including, without limitation, all original orders, invoices and shipping receipts.

6.2 Communications with Obligors: Grantors Remain Liable. (a) The Agent in its own name or in the name of others may at any time after a default by the Company of the Company Obligations communicate with obligors under the Receivables and parties to the Contracts to verify with them to the Agent's satisfaction the existence, amount and terms of any Receivables or Contracts.

(b) Upon the request of the Agent at any time after a default by the Company of the Company Obligations, each Grantor shall notify obligors on the Receivables and parties to

the Contracts that the Receivables and the Contracts have been assigned to the Agent for the ratable benefit of the Indemnified Parties and that payments in respect thereof shall be made directly to the Agent.

(c) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of the Receivables and Contracts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. Neither the Agent nor any Indemnified Party shall have any obligation or liability under any Receivable (or any agreement giving rise thereto) or Contract by reason of or arising out of this Agreement or the receipt by the Agent or any Indemnified Party of any payment relating thereto, nor shall the Agent or any Indemnified Party be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Receivable (or any agreement giving rise thereto) or Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, 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 it or to which it may be entitled at any time or times.

6.3 Pledged Stock. (a) Unless the Company shall be in default of the Company Obligations and the Agent shall have given notice to the relevant Grantor of the Agent's intent to exercise its corresponding rights pursuant to Section 6.3(b), each Grantor shall be permitted to receive all cash dividends paid in respect of the Pledged Stock and all payments and prepayments made in respect of the Pledged Notes, in each case paid in the normal course of business of the relevant Issuer and consistent with past practice, and to exercise all voting and corporate rights with respect to the Pledged Securities; provided, however, that no vote shall be cast or corporate right exercised or other action taken which, in the Agent's reasonable judgment, would impair the Collateral or which would be inconsistent with or result in any violation of any provision of this Agreement.

(b) If the Company shall be in default of the Company Obligations and the Agent shall give notice of its intent to exercise such rights to the relevant Grantor or Grantors, (i) the Agent shall have the right to receive any and all cash dividends, payments or other Proceeds paid in respect of the Pledged Securities and make application thereof to the Obligations in such order as the Agent may determine, and (ii) any or all of the Pledged Securities shall be registered in the name of the Agent or its nominee (or Fleet Bank, N.A., as agent under the Intercreditor Agreement), and the Agent or its nominee (or Fleet Bank, in such capacity) may thereafter exercise (x) all voting, corporate and other rights pertaining to such Pledged Securities at any meeting of shareholders of the relevant Issuer or Issuers or otherwise and (y) any and all rights of conversion, exchange and subscription and any other rights, privileges or options pertaining to such Pledged Securities as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of the Pledged Securities upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate structure of any Issuer, or upon the exercise by any Grantor or the Agent (or Fleet Bank, N.A., in such capacity) of any right, privilege or option pertaining to such Pledged Securities, and in connection therewith, the right to deposit and deliver any and all of the Pledged Securities with

any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as the Agent may determine), all without liability except to account for property actually received by it, but the Agent shall have no duty to any Grantor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(c) Each Grantor hereby authorizes and instructs each Issuer of any Pledged Securities pledged by such Grantor hereunder to (i) comply with any instruction received by it from the Agent in writing that (x) states that the Company is in default of the Company Obligations and (y) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from such Grantor, and each Grantor agrees that each Issuer shall be fully protected in so complying, and (ii) unless otherwise expressly permitted hereby, pay any dividends or other payments with respect to the Pledged Securities directly to the Agent.

6.4 Proceeds to be Turned Over To Agent. In addition to the rights of the Agent and the Indemnified Parties specified in Section 6.1 with respect to payments of Receivables, if the Company shall be in default of the Company Obligations, all Proceeds received by any Grantor consisting of cash, checks and other near-cash items shall be held by such Grantor in trust for the Agent and the Indemnified Parties, segregated from other funds of such Grantor, and shall, forthwith upon receipt by such Grantor, be turned over to the Agent in the exact form received by such Grantor (duly indorsed by such Grantor to the Agent, if required) to be applied to the Company Obligations.

6.5 Application of Proceeds. If the Company shall be in default of the Company Obligations, the Agent may apply all or any part of Proceeds it receives in payment of the Obligations in such order as the Agent may elect.

6.6 Code and Other Remedies. If the Company shall be in default of the Company Obligations, the Agent, on behalf of the Indemnified Parties, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the New York UCC or any other applicable law. Without limiting the generality of the foregoing, the Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other entity or person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Agent or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Agent or any Indemnified Party shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the Agent's request, to

assemble the Collateral and make it available to the Agent at places which the Agent shall reasonably select, whether at such Grantor's premises or elsewhere. The Agent shall apply the net proceeds of any action taken by it pursuant to this Section 6.6, after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Agent and the Indemnified Parties hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Obligations, in such order as the Agent may elect, and only after such application and after the payment by the Agent of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the New York UCC, need the Agent account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against the Agent or any Indemnified Party arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

6.7 Pledged Stock. Each Grantor recognizes that the Agent may be unable to effect a public sale of any or all the Pledged Stock, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Agent shall be under no obligation to delay a sale of any of the Pledged Stock for the period of time necessary to permit the Issuer thereof to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if such Issuer would agree to do so.

6.8 Waiver: Deficiency. Each Grantor waives and agrees not to assert any rights or privileges which it may acquire under Section 9-112 of the New York UCC. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay its Obligations and the fees and disbursements of any attorneys employed by the Agent or any Indemnified Party to collect such deficiency.

## SECTION 7. THE AGENT

7.1 Agent's Appointment as Attorney-in-Fact, etc. (a) Each Grantor hereby irrevocably constitutes and appoints the Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its 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 which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any or all of the following:

(i) in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Receivable or Contract or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Agent for the purpose of collecting any and all such moneys due under any Receivable or Contract or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Agent may request to evidence the Agent's and the Indemnified Parties' security interest in such Intellectual Property and the goodwill and general intangibles of such Grantor relating thereto or represented thereby;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iv) execute, in connection with any sale provided for in Section 6.6 or 6.7, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(v) (1) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Agent or as the Agent shall direct; (2) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (3) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (4) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (5) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (6) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Agent may deem appropriate; (7) assign any Copyright, Patent or Trademark (along with the goodwill of the business to which any such Copyright, Patent or Trademark pertains), throughout the world for such term or terms, on such conditions, and in such manner, as the Agent shall in its sole discretion determine; and (8) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Agent were the absolute owner thereof for all purposes, and do, at the Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Agent deems necessary to protect, preserve or realize

upon the Collateral and the Agent's and the Indemnified Parties' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

Anything in this Section 7.1(a) to the contrary notwithstanding, the Agent agrees that it will not exercise any rights under the power of attorney provided for in this Section 7.1(a) unless and until the Company shall be in default of the Company Obligations.

(b) If any Grantor fails to perform or comply with any of its agreements contained herein, the Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The expenses of the Agent incurred in connection with actions undertaken as provided in this Section 7.1, together with interest thereon at a rate per annum equal to the prime rate generally available from any of the five largest financial institutions in New York as reported in the Wall Street Journal, from the date of payment by the Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Agent on demand.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

**7.2 Duty of Agent.** The Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the New York UCC or otherwise, shall be to deal with it in the same manner as the Agent deals with similar property for its own account. Neither the Agent, nor any Indemnified Party nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other entity or person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Agent and the Indemnified Parties hereunder are solely to protect the Agent's and the Indemnified Parties' interests in the Collateral and shall not impose any duty upon the Agent or any Indemnified Party to exercise any such powers. The Agent and the Indemnified Parties shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their partners, officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

**7.3 Execution of Financing Statements.** Pursuant to Section 9-402 of the New York UCC and any other applicable law, each Grantor authorizes the Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as the Agent reasonably determines appropriate to perfect the security interests of the Agent under this Agreement. A photographic or other reproduction of this Agreement shall be sufficient as a financing statement or other filing or recording document or instrument for filing or recording in any jurisdiction.

7.4 Authority of Agent. Each Grantor acknowledges that the rights and responsibilities of the Agent under this Agreement with respect to any action taken by the Agent or the exercise or non-exercise by the Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall be conclusively presumed to be acting as agent for the Indemnified Parties with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

## SECTION 8. MISCELLANEOUS

8.1 Amendments in Writing. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in writing signed by each Grantor and the Agent.

8.2 Notices. All notices, requests and demands to or upon the Agent or any Grantor hereunder shall be effected in writing by telecopy or mail to the addresses below; provided that any such notice, request or demand to or upon any Guarantor shall be addressed to such Guarantor at its notice address set forth in its Assumption Agreement (referred to in Section 8.15):

If to the Company:

Physician Computer Network, Inc.  
1200 The American Road  
Morris Plains, NJ 08878  
Telecopy: (973) 490-3103

With a copy to:

Jonathan Klein, Esq.  
Gordon Altman Butowsky  
Weitzen Shalov & Wein  
114 West 47th Street  
New York, New York 10036  
Telecopy: (212) 626-0799

If to the Agent or any Indemnified Party:

Alvarez & Marsal, Inc.  
599 Lexington Avenue  
New York, New York 10022  
Telecopy: (212) 230-3307

With a copy to:

Denis F. Cronin, Esq.  
380 Madison Avenue 24th Floor  
New York, New York 10017

Telecopy: (212) 883-1314

8.3 No Waiver by Course of Conduct: Cumulative Remedies. Neither the Agent nor any Indemnified Party shall by any act (except by a written instrument pursuant to Section 8.1), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or which they may have as a matter of law or equity. No failure to exercise, nor any delay in exercising, on the part of the Agent or any Indemnified Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Agent or any Indemnified Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Agent or such Indemnified Party would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

8.4 Enforcement Expenses: Indemnification. (a) Each Grantor and Guarantor agrees to pay or reimburse each Indemnified Party and the Agent for all its costs and expenses incurred in collecting against such Guarantor under the guarantee contained in Section 2, or against such Grantor under this Agreement or the Engagement Agreement, or otherwise enforcing or preserving any rights under this Agreement, including, without limitation, the fees and disbursements of counsel to each Indemnified Party and of counsel to the Agent.

(b) Each Grantor and Guarantor agrees to pay, and to save the Agent and the Indemnified Parties harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) Each Grantor and Guarantor agrees to pay, and to save the Agent and the Indemnified Parties harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent the Company would be required to do so pursuant to the indemnity provisions of the Engagement Agreement.

(d) The agreements in this Section 8.4 shall survive repayment of the Obligations and all other amounts payable under the Engagement Agreement.

8.5 Successors and Assigns. This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Agent and the Indemnified Parties and their successors and assigns; provided that no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Agent.

8.6 Set-Off. Each Grantor hereby irrevocably authorizes the Agent and each Indemnified Party at any time and from time to time while the Company is in default of any of the Company Obligations, without notice to such Grantor or any other Grantor, any such notice being expressly waived by each Grantor, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Agent or such Indemnified Party to or for the credit or the account of such Grantor, or any part thereof in such amounts as the Agent or such Indemnified Party may elect, against and on account of the obligations and liabilities of such Grantor to the Agent or such Indemnified Party hereunder and claims of every nature and description of the Agent or such Indemnified Party against such Grantor, in any currency, arising hereunder, as the Agent or such Indemnified Party may elect, whether or not the Agent or any Indemnified Party has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The Agent and each Indemnified Party shall notify such Grantor promptly of any such set-off and the application made by the Agent or such Indemnified Party of the proceeds thereof; provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Agent and each Indemnified Party under this Section 8.6 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Agent or such Indemnified Party may have.

8.7 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

8.8 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.9 Section Headings. The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

8.10 Integration. This Agreement, the Engagement Agreement, including the indemnity provisions incorporated therein by reference, and the Warrant issued by PCN to A&M, a form of which is attached as Exhibit A to the Engagement Agreement, represent the agreement of the Grantors, the Agent and the Indemnified Parties with respect to the subject matter hereof and

thereof, and there are no promises, undertakings, representations or warranties by the Agent or any Indemnified Party relative to the subject matter hereof and thereof not expressly set forth or referred to herein or in such other documents.

8.11 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

8.12 Submission To Jurisdiction: Waivers. Each Grantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement or the Engagement Agreement or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Grantor at its address referred to in Section 8.2 or at such other address of which the Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

8.13 Acknowledgments. Each Grantor hereby acknowledges that it has been advised by counsel in the negotiation, execution and delivery of this Agreement.

8.14 WAIVER OF JURY TRIAL. EACH GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN.

8.15 Additional Grantors. In the event the fair market value (as reasonably determined by the Agent and the Company) of the Collateral in which the Agent has a perfected security interest shall at any time constitute less than the lesser of (x) the sum of (I) \$12,500,000 and (II)

two and one-half times the amount of obligations secured by Liens in the Collateral senior to the perfected security interests in favor of the Agent *and* (y) the aggregate fair market value (as reasonably determined by the Agent and the Company) of all the assets and properties of the Company and its subsidiaries, the Grantors will cause a sufficient number of their subsidiaries to become Guarantors and Grantors hereunder such that the fair market value (as reasonably determined by the Agent and the Company) of the Collateral in which the Agent has a perfected security interest, after taking into account the assets and property of the additional Grantors which constitute Collateral in which the Agent has a perfected security interest, will be no less than the lesser of (x) the sum of (I) \$12,500,000 *and* (II) two and one-half times the amount of obligations secured by Liens in the Collateral senior to the perfected security interests in favor of the Agent *and* (y) the aggregate fair market value (as reasonably determined by the Agent and the Company) of all the assets and properties of the Company and its subsidiaries. If at any time a subsidiary of any of the Grantors becomes a Guarantor or Grantor under the Senior Guaranty and Collateral Agreement which is not already a Guarantor or Grantor hereunder, the parent of such subsidiary shall cause such subsidiary to become a Guarantor and Grantor hereunder. Each subsidiary of the Grantors that is required to become a party to this Agreement shall become a Guarantor and Grantor for all purposes of this Agreement upon execution and delivery by such subsidiary of an Assumption Agreement in the form of Annex 1 hereto.

8.16 Releases. (a) Immediately following the Termination Date, the Collateral shall be released from the security interests created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Agent and each Grantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors. At the request and sole expense of any Grantor following any such termination, the Agent shall deliver to such Grantor any Collateral held by the Agent hereunder, and execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

(b) If any of the Collateral which is a Disposition Asset shall be sold, transferred or otherwise disposed of by any Grantor, or if the disposition is one which is not prohibited under Section 5.1, then the Agent, at the request and sole expense of such Grantor, shall execute and deliver to such Grantor all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Collateral.

(c) At the request of the Company and the sole expense of the Grantors, the Agent shall execute and deliver to the Grantors all releases or other documents reasonably necessary or desirable for the release of all or part of the Liens created hereby on the Collateral; provided that the Company shall have first either (i) provided a cash collateral account or pledged cash equivalents reasonably satisfactory to the Agent, in each case creating a first priority perfected Lien in favor of the Agent for the ratable benefit of the Indemnified Parties which shall not be released in the amount of \$5,000,000, or, at any time after the occurrence of a Sale of PCN, \$2,000,000, which shall be subject to no other Lien and subject to documentation and terms reasonably satisfactory to the Agent or (ii) provided substitute collateral reasonably satisfactory to the Agent having an aggregate fair market value (as reasonably determined by the Agent and the Company) of no less than the sum of (x) \$12,500,000 or, at any time after the

occurrence of a Sale of PCN, \$5,000,000, and (y) two and one-half times the amount of obligations secured by Liens in the substitute collateral senior to the perfected security interests in favor of the Agent in such substituted collateral and, in the case of clause (ii), so long as the obligations arising under or in connection with the Credit Agreement shall have a Lien, if any, in only the substitute collateral and not in any other assets or properties of the Company or any of its subsidiaries and subject to documentation and terms reasonably satisfactory to the Agent.

8.17 Subordination of Liens. (a) The liens and security interests granted hereunder are subordinate to the liens and security interests granted to Fleet Bank, N.A., as administrative agent for the lenders parties to the Credit Agreement, pursuant to the Senior Guaranty and Collateral Agreement. For the benefit of the lenders parties to the Credit Agreement and not the Grantors, the Agent is entering into the Intercreditor Agreement. The Agent will not take any action under this Agreement (including requiring the Grantors, including without limitation PCN, to take any action) which would constitute a default of its obligations under the Intercreditor Agreement so long as the Intercreditor Agreement is in full force and effect.


(b) In the event the Grantors enter into a new credit facility and all of the Grantors' obligations under the Credit Agreement have been, or are being concurrently, indefeasibly repaid in full and terminated and the Agent's obligations under the Intercreditor Agreement have been terminated, then upon the request of the Grantors, the Agent will enter into a new intercreditor agreement, having terms identical to the Intercreditor Agreement or otherwise reasonably satisfactory to the Agent, agreeing to subordinate the Liens granted in this Agreement to the Liens securing the Grantors' obligations under the new credit facility so long as (x) the terms of the new facility are substantially similar to the terms of the Credit Agreement or are otherwise satisfactory to the Agent; and (y) the Grantors are not in default of any of their obligations under this Agreement or the Engagement Agreement; provided that, in no event shall the sum of (i) two and one-half times the amount of the obligations to be secured with Liens senior to the Liens granted to the Agent pursuant to this Agreement and (ii) \$12,500,000 be greater than the fair market value of the Grantors' assets (as reasonably determined by the Agent and the Company), in which the Agent has a Lien and in no event shall the obligations to be secured with such senior Liens have Liens in assets in which the Agent does not also have a Lien. In the event the Company is unable to complete an acceptable refinancing on the terms specified in this subsection, the Agent agrees to negotiate in good faith with the Company an alternative collateral arrangement which will in no event provide the Agent with less protection, including the fair market and realizable value of the collateral, the Agent's rights in and remedies in respect of the collateral and the legal structure of the collateral arrangement, than the foregoing, but in no event shall the inability of the Agent and the Company to reach agreement on such an alternative arrangement be a breach of the Agent's obligations.

Section 8.18. Limitation of Liability. In no event shall the aggregate amount of Obligations secured by the Liens granted in this Guarantee and Collateral Agreement exceed \$10,000,000 in the aggregate.

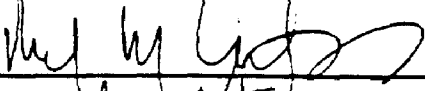


IN WITNESS WHEREOF, each of the undersigned has caused this Guarantee and Collateral Agreement to be duly executed and delivered as of the date first above written.

ALVAREZ & MARSAL, as agent

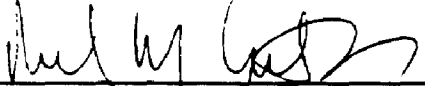
By:   
Title: MANAGING DIRECTOR

PHYSICIAN COMPUTER NETWORK, INC.

By:   
Title: vice president

**Subsidiaries of PCN**

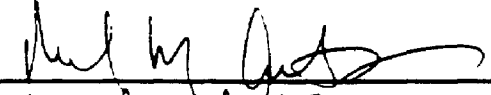
VERSYSS INCORPORATED

By:   
Title: vice president


SOLION CORP.

By:   
Title: vice president

WISMER-MARTIN, INC.


By:   
Title: vice president

PCNHP VENTURE CORP.


By:   
Title: vice president

**Subsidiaries of PCN**


PCN SERVICES CORP.

By:   
Title: vice president

V HOLDINGS CORP.

By:   
Title: vice president

MEDICAL NETWORK SYSTEMS CORP.

By:   
Title: President

## DESCRIPTION OF PLEDGED SECURITIES

## Pledged Stock:

<u>Pledgor</u>	<u>Issuer</u>	<u>Class of Stock</u>	<u>Stock Certificate No.</u>	<u>No. of Shares</u>
Physician Computer Network, Inc.	Wismer* Martin, Inc.	Common	1	1
Physician Computer Network, Inc.	PCN HP Venture Corp.	Common	1	1000
Physician Computer Network, Inc.	PCN Services Corp.	Common	1	100
Physician Computer Network, Inc.	Solion Corp.	Common	2	900
Physician Computer Network, Inc.	V Holding Corp.	Common	2	100
Physician Computer Network, Inc.	Medical Network Systems Corp.	Common	1	100
V Holding Corp.	Versyss Incorporated	Common	A-02	100

## Pledged Notes:

None

FILINGS AND OTHER ACTIONS  
REQUIRED TO PERFECT SECURITY INTERESTS

Uniform Commercial Code Filings

[List each office where a financing statement is to be filed]

Secretary of State: Arizona

- (a) Physician Computer Network, Inc.

County Clerk: Maricopa County, Arizona

- (a) Physician Computer Network, Inc.

Secretary of State: California

- (a) Physician Computer Network, Inc.
- (b) Versyss Incorporated
- (c) [omit]
- (d) PCN Services Corp.
- (e) Wismer\* Martin, Inc.

County Clerk: Alameda County, California

- (a) Physician Computer Network, Inc.

County Clerk: Los Angeles County, California

- (a) Physician Computer Network, Inc.
- (b) Versyss Incorporated
- (c) [omit]
- (d) PCN Services Corp.
- (e) Wismer\* Martin, Inc.

---

Note that perfection of security interests in patents and trademarks requires filings under the UCC in the jurisdictions where filings would be made for general intangibles, as well as filings in the U.S. Copyright Office and the U.S. Patent & Trademark Office.

Secretary of State: Colorado

- (a) Physician Computer Network, Inc.
- (b) Versyss Incorporated

County Clerk: Denver County, Colorado

- (a) Physician Computer Network, Inc.
- (b) Versyss Incorporated

Secretary of State: Connecticut

- (a) Physician Computer Network, Inc.

Secretary of State: Delaware

- (a) Versyss Incorporated
- (b) PCN HP Venture Corp.
- (c) PCN Services Corp.
- (d) V Holding Corp.

Secretary of State: Florida

- (a) Physician Computer Network, Inc.
- (b) Versyss Incorporated

County Clerk: Hillsborough County, Florida

- (a) Physician Computer Network, Inc.
- (b) Versyss Incorporated

County Clerk: Gwinnett County, Georgia

- (a) Versyss Incorporated

Secretary of State: Illinois

- (a) Physician Computer Network, Inc.

County Clerk: Du Page County, Illinois

- (a) Physician Computer Network, Inc.

Secretary of State: Massachusetts

- (a) Physician Computer Network, Inc.
- (b) Versyss Incorporated

County Clerk: Needham Town, Massachusetts

- (a) Physician Computer Network, Inc.
- (b) Versyss Incorporated

Secretary of State: Michigan

- (a) Versyss Incorporated

County Clerk: Genesee County, Michigan

- (a) Versyss Incorporated

Secretary of State: Minnesota

- (a) Versyss Incorporated

County Clerk: Hennepin County, Minnesota

- (a) Versyss Incorporated

Secretary of State: Nebraska

- (a) Physician Computer Network, Inc.

County Clerk: Douglas County, Nebraska

- (a) Physician Computer Network, Inc.

Secretary of State: New Hampshire

- (a) Versyss Incorporated

County Clerk: Manchester City, New Hampshire

- (a) Versyss Incorporated

Secretary of State: New Jersey

- (a) Physician Computer Network, Inc.
- (b) Versyss Incorporated
- (c) PCN HP Venture Corp.
- (d) PCN Services Corp.
- (e) V Holding Corp.

County Clerk: Morris County, New Jersey

- (a) Physician Computer Network, Inc.
- (b) Versyss Incorporated
- (c) PCN HP Venture Corp.
- (d) PCN Services Corp.
- (e) V Holding Corp.

Secretary of State: New York

- (a) Physician Computer Network, Inc.

County Clerk: Albany County, New York

- (a) Physician Computer Network, Inc.

Secretary of State: Oregon

- (a) Wismer\* Martin, Inc.

Secretary of State: Pennsylvania

- (a) Versyss Incorporated

County Clerk: Montgomery County, Pennsylvania

- (a) Versyss Incorporated

County Clerk: Northampton County, Pennsylvania

- (a) Versyss Incorporated

Secretary of State: Tennessee

- (a) Versyss Incorporated

County Clerk: Davidson County, Tennessee

- (a) Versyss Incorporated

Secretary of State: Texas

- (a) Physician Computer Network, Inc.
- (b) Versyss Incorporated
- (c) PCN Services Corp.

County Clerk: Dallas County, Texas

- (a) Physician Computer Network, Inc.
- (b) Versyss Incorporated
- (c) PCN Services Corp.

County Clerk: Houston, Texas

- (a) Versyss Incorporated

Secretary of State: Virginia

- (a) Physician Computer Network, Inc.

County Clerk: Hanover County, Virginia

- (a) Physician Computer Network, Inc.

County Clerk: Virginia Beach City, Virginia

- (a) Physician Computer Network, Inc.

Secretary of State: Washington

**Schedule 3**

- (a) Physician Computer Network, Inc.
- (b) Wismer\*Martin, Inc.

Secretary of State: Wisconsin

- (a) Physician Computer Network, Inc.
- (b) Versyss Incorporated
- (c) PCN Services Corp.

County Clerk: Waukesha County, Wisconsin

- (a) Physician Computer Network, Inc.

County Clerk: Waushara County, Wisconsin

- (a) Physician Computer Network, Inc.
- (b) Versyss Incorporated
- (c) PCN Services Corp.

Secretary of State: Ohio

- (a) Medical Network Systems Corp.

Uniform Commercial Code Filings - Solion Corp.Secretary of State

- (a) California
- (b) Colorado
- (c) Connecticut
- (d) Florida
- (e) Georgia
- (f) Illinois
- (g) Massachusetts
- (h) Michigan
- (i) Missouri
- (j) Minnesota
- (k) New Hampshire
- (l) New York
- (m) Pennsylvania
- (n) Texas
- (o) Virginia

County Clerk

- (a) San Mateo County, CA
- (b) Los Angeles County, CA
- (c) Arapahoe County, CO
- (d) Enfield, CT (Town Clerk)
- (e) Shelton, CT (Town Clerk)
- (f) Orange County, FL
- (g) Hillsborough County, FL
- (h) Gwinnett County, GA
- (i) Cook County, IL
- (j) Westwood, MA (Town Clerk)
- (k) Oakland County, MI
- (l) St. Louis County, MO
- (m) Londonberry, NH (Town Clerk)
- (n) Suffolk County, NY
- (o) Saratoga County, NY
- (p) Onondaga County, NY
- (q) Montgomery County, PA
- (r) Monroe County, PA
- (s) Harris County, TX
- (t) Dallas County, TX
- (u) Arlington, VA (Town Clerk)



## LOCATION OF JURISDICTION OF ORGANIZATION AND CHIEF EXECUTIVE OFFICE

<u>Grantor</u>	<u>Jurisdiction of Organization</u>	<u>Location of Chief Executive Office</u>
(a) Physician Computer Network, Inc.	NJ	1200 The American Road Morris Plains, NJ 07950
(b) Versyss Incorporated	DE	15 Crawford Street Needham Heights, MA 02194
(c) Wismer*Martin, Inc.	WA	12828 N. Newport Highway Mead, WA 99021
(d) Solion Corp.	DE	400 Blue Hill Drive Westwood, MA 02090
(e) PCNHP Venture Corp.	DE	1200 The American Road Morris Plains, NJ 07950
(f) PCN Services Corp.	DE	1200 The American Road Morris Plains, NJ 07950
(g) V Holding Corp.	DE	1200 The American Road Morris Plains, NJ 07950
(h) Medical Network Systems Corp.	DE	1200 The American Road Morris Plains, NJ 07950

LOCATION OF INVENTORY AND EQUIPMENT

<u>Grantor</u>	<u>Locations</u>
Physician Computer Network, Inc.	<u>ALBANY, NY</u> 251 New Karner Road Albany, NY 12205
	<u>BROOKFIELD, WI</u> 16745 W. Blue Mound Road Suite 200 Brookfield, WI 53005
	<u>CHICAGO, IL</u> 1360 Wood Dale Road Suite F Wood Dale, IL 60191
	<u>HARTFORD, CT</u> 1 Hartfield Boulevard Suite 101 East Windsor, CT 08088
	<u>HAYWARD, CA</u> 26252 Edon Landing Road Hayward, CA 94545
	<u>MECHANICSVILLE, VA</u> 7450 Old Hickory Drive Mechanicsville, VA 23111
	<u>NEW BERLIN, WI</u> 17500 West Biberty Lane New Berlin, WI 53146
	<u>NORWALK, CT</u> 37 North Avenue Norwalk, CT 06851

9/9/97:10:25 am  
32840/1370/32/145283.3

Physician Computer Network, Inc. (Continued)

OMAHA, NE  
11128 John Galt Boulevard  
#450  
Omaha, NE 69137

PHOENIX, AZ  
3550 N. Centre Avenue  
#910  
Phoenix, AZ 85012

VIRGINIA BEACH, VA  
5253b Challedon Drive  
Virginia Beach, VA 23462

MORRIS PLAINS, NJ  
1200 The American Road  
Morris Plains, NJ 07950

Versyss Incorporated

ATLANTA, GA  
6855 Jimmy Carter Boulevard  
Suite 2550  
Norcross, GA 30071

BETHLEHEM, PA  
57 South Commerce Way  
Suite 750  
Bethlehem, PA 18017

DALLAS, TX  
16135 Preston Road  
Suite 133  
Dallas, TX 75248

DENVER, CO  
7000 S. Yosemite  
Suite 100  
Engelwood, CO 80112

**Versys Incorporated (Continued)**

**FLINT, MI**  
5402 Gateway  
Suite A  
Flint, MI 48307

**HOUSTON, TX**  
2190 N. Loop West  
Suite 103  
Houston, TX 77018

**MANCHESTER, NH**  
1050 Perimeter Road  
Manchester, NH 03130

**MINNEAPOLIS, MN**  
2547 Louisiana Avenue South  
St. Louis Park, MN 55420

**NASHVILLE, TN**  
Columbia HTI  
4525 Harding Pike  
Nashville, TN 37205

**NEEDHAM HEIGHTS, MA**  
15 Crawford Street  
Needham Heights, MA 02194

140 Crawford Street  
Needham Heights, MA 02194

**PHILADELPHIA, PA**  
525 Plymouth Road  
Suite 300  
Plymouth Meeting, PA 19462

**TAMPA, FL**  
4902 Eisenhower Boulevard  
Suite 300  
Tampa, FL 33634

**Versys Incorporated (Continued)**

**TORRANCE, CA**  
19519 So. Vermont Avenue  
Torrance, CA 90502

**Wisner\*Martin, Inc.**

**MEAD, WA**  
12828 N. Newport Highway  
Mead, WA 99021

**Integrated Health Systems, Inc.**

**LA JOLLA, CA**  
4275 Executive Square  
Suite 550  
La Jolla, CA 92037

**Sellon Corp.**

**WESTWOOD, MA**  
400 Blue Hill Drive  
Westwood, MA 02090

**LONDONDERRY, NH**  
3 Sargent Road  
Londonderry, NH 03053

**TAMPA, FL**  
4902 Eisenhower Boulevard  
Suite 300  
Tampa, FL 33604

**MAITLAND, FL**  
1061 Maitland Center  
Maitland, FL 32751

**ENGLEWOOD, CO**  
7000 S. Yosemite  
Suite 100  
Englewood, CO 80112

**ARLINGTON HEIGHTS, IL**  
2045 South Arlington Heights Road  
Suite 116  
Arlington Heights, IL 60005

**TORRANCE, CA**  
19515 South Vermont Avenue  
Suite 200  
Torrance, CA 90502

**HUNTINGTON, NY**  
191 New York Avenue  
Suite 206  
Huntington, NY 11743

TRADEMARK

REEL: 1797 FRAME: 0964

Solion Corp. (continued)

ELIZABETH, PA  
790 Penlyn Pike  
Suite 201  
Elizabethtown, PA 17022

BRODHEADSVILLE, PA  
Marwin Commons  
Route 209  
Brookside, PA 18322

ATLANTA, GA  
6835 Jimmy Carter Boulevard  
Suite 2550  
Norcross, GA 30071

PONTIAC, MI  
28 North Saginaw  
Suite 1014  
Pontiac, MI 48342

HOUSTON, TX  
10303 Northwest Freeway  
Suite 340  
Houston, TX 77062

ENFIELD, CT  
5500 Highlow Commons  
Enfield, CT 06033

FAYETTEVILLE, NY  
The White House  
Suite 100  
7030 E. Gamma Street  
Fayetteville, NY 13066

CLIFTON PARK, NY  
Suite 223  
1691 Route 9  
Clifton Park, NY 12065

SHELTON, CT  
275 Canal Street  
Suite 225  
Shelton, CT 06484

**Schedule 5**

Solion Corp. (continued)

ST. LOUIS, MO  
1515 North Watson Road  
Suite 105  
St. Louis, MO 63132

RICHARDSON, TX  
1701 N. Collins Boulevard  
Suite 231  
Richardson, TX 75080

FALLS CHURCH, VA  
207 Park Avenue  
Suite B7  
Falls Church, VA 22046

SAN MATEO, CA  
100 South Ellsworth Avenue  
Suite 204-1  
San Mateo, CA 94401

Medical Network Systems Corp.

CINCINNATI, OH  
11305 Reed Hartman Highway  
Suite 102  
Cincinnati, OH 45241

## COPYRIGHTS AND COPYRIGHT LICENSES

<u>Title</u>	<u>Registration Number</u>	<u>Registration Date</u>	<u>Record Owner</u>
CADOL III	TX 1-371-841 (Cert. of Recordation Vol. 2494, Pages 429-437)	Aug. 2, 1984 (Document of Transfer dated 4/17/89; recorded 9/15/89)	VERSYSS
ACCOUNTS RECEIVABLE (2.00/44)	TX 1-371-838 (Cert. of Recordation Vol. 2494, Pages 429-437)	Aug. 2, 1984 (Document of Transfer dated 4/17/89; recorded 9/15/89)	VERSYSS
ACCOUNTS RECEIVABLE (3.00/24)	TX 1-371-842 (Cert. of Recordation Vol. 2494, Pages 429-437)	Aug. 2, 1984 (Document of Transfer dated 4/17/89; recorded 9/14/89)	VERSYSS
CADOS-Release 1.00	TX 2-576-757	June 26, 1989	VERSYSS
CADOS-Release 3.00	TX 2-576-756	June 26, 1989	VERSYSS
CADOS-Release 3.04	TX 2-576-758	June 26, 1989	VERSYSS
VERSYSS Fuel Oil Management System, Version 3.5	TX 2-633-457	Aug. 7, 1989	VERSYSS
VERSYSS Fuel Oil Management System, Version 3.5	TX 2-705-629	Aug. 7, 1989	VERSYSS
VERSYSS Fuel Oil Management System, Version 4.0	TX 2-705-628	Aug. 7, 1989	VERSYSS
VERSYSS Construction Management System - AIA Billing	TX 2-641-471	Sept. 1, 1989	VERSYSS



<u>Title</u>	<u>Registration Number</u>	<u>Registration Date</u>	<u>Record Owner</u>
VERSYSS Construction Management System - Accounts Payable	TX 2-641-476	Sept. 1, 1989	VERSYSS
VERSYSS Construction Management System - Time and Material Billing	TX 2-641-474	Sept. 1, 1989	VERSYSS
VERSYSS Construction Management System - Accounts Receivable	TX 2-641-475	Sept. 1, 1989	VERSYSS
VERSYSS Construction Management System - Payroll	TX 2-641-473	Sept. 1, 1989	VERSYSS
VERSYSS Construction Management System - Job Cost	TX 2-641-472	Sept. 1, 1989	VERSYSS
DATATRAX Publishers Management System, Release 4.5	TX 3-902-057	Aug. 9, 1993	VERSYSS
Run-Time System	TX 3-683-893	Sept. 9, 1993	VERSYSS
MENDS I	[unregistered]	[unregistered]	VERSYSS
MENDS II (1986)	[unregistered]	[unregistered]	VERSYSS
MENDS III (1989)	[unregistered]	[unregistered]	VERSYSS
SMART*PRACTICE 4.2	TX 3-469-423	Nov. 1, 1992	Wisner*Martin, Inc.
SCHEDULER	TX 1-371-840	Aug. 2, 1984	CADO Systems Corporation
SCHEDULER II	TX 1-371-843	Aug. 2, 1984	CADO Systems Corporation
IDEAL FOOD COSTING	TX 1-371-839	Aug. 2, 1984	CADO Systems Corporation
IFC II	TX 1-371-844	Aug. 2, 1984	CADO Systems Corporation
FAST FOOD MANAGEMENT	TX 1-371-845	Aug. 2, 1984	CADO Systems Corporation

## TRADEMARKS AND TRADEMARK LICENSES

<u>Trademark/Service Mark</u>	<u>Registration Date</u>	<u>Registration Number</u>
PCN Word Mark	September 30, 1997	2,101,304
VERSYSS QUICK ACCESS Word Mark	Published: July 28, 1998	Application No. 75/220,371
PCN Word Mark	September 16, 1993	1,477,981
PCN & Design Mark (computer services)	February 23, 1988	1,477,980
PCN & Design Mark (computer services)	Application Date: July 8, 1997	Application No. 75/321,267
VERSYSS Service Mark	September 3, 1991	1,655,771
VERSYSS Trade Mark	March 19, 1991	1,638,200
VERSYSS INSTANT ACCESS Word Mark	November 24, 1992	1,734,504
CADOL	December 3, 1992	1,423,726*
MENDS	March 1, 1993	1,423,725*
DS/PC	January 26, 1993	1,390,649
ROL-A-DISC	July 28, 1992	1,703,002
SM*RT	April 21, 1995	1,522,453
Solion	February 6, 1996	1,954,497
CADOS	October 29, 1992	1,401,969*
COMPUTER SOLUTIONS COMPANY FOR SERVICE AND SUPPORT		
JUST ASK	June 9, 1987	1,441,929*

**Schedule 6**

<u>Trademark/Service Mark</u>	<u>Registration Date</u>	<u>Registration Number</u>
MEDIVOICE	September 1, 1992	1,711,354
"V" (stylized) (trademark)	August 25, 1992	1,709,818
"V" (stylized) (servicemark)	February 2, 1993	1,750,420
PCN Connection	Application Date: June 30, 1997	Application No. 75/317,596
Physician Computer Network	March 2, 1995	1,553,196
PCN (and Design)	Application Date: January 13, 1998	Application No. 75/320,852
CADOL	April 8, 1988	338,997 (Canadian)
MENDS	April 24, 1987	326,833 (Canadian)
WORDBASE	July 17, 1987	330,043 (Canadian)
CADOS	March 6, 1987	324,510 (Canadian)
CADO		270,690 (Canadian)
CADOS	April 21, 1986	1,265,204 (United Kingdom)
ACCLAIM		
ATS		
CADO		
CADO CAT, THE		
CADO-LINK		
CALYX/MDX		
CAT		
DOM/2		

Trademark/Service Mark

Registration Date

Registration Number

HEALTH NETWORK

IBAX

ICF

JUST ASK VERSYSS

LABORATORY  
COMMUNICATOR

Mcare

MDX

Making the Connection  
Between Information &  
Management

Mediview

PCN HEALTH NETWORK

PCN LINK

MENDS ICF

Physician Computer Network,  
Inc.

The PCN Connection

PCN Laboratory  
Communicator

PMS System III Gold

PMS System III

RESIDENT

RTS

Trademark/Service Mark

Registration Date

Registration Number

Software Care Plan

Stripes Design (green-yellow-  
red-blue/purple)

SYSTEM 3

SYSTEM 3 GOLD

TIGER ATS

TIGER LINK

VERSYSS LINK/1

VERSYSS S/1

VERSYSS SOLUTION/1

Tiger LINK/ATS

VERSYSS LINK

VERSYSS SOLUTION I

VIA (Versyss Instant Access)

VIA-LAN

XRTS

Practice Management Plus

Sm\*rtNet

SM\*RT PRACTICE

Partial Apple Design