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11-23-1998

U.S. DEPARTMENT OF COMMERCE Patent and Trademark Office



100909195

documents or copy thereof.

To the Honorable Commissioner of Patents and Tr.

1. Name of conveying party(ies):
Douglas-Michaels Company, L.P.

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

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

2. Name and address of receiving party(ies)
Name: First Union National Bank

Internal Address: _____
Street Address: 300 Main Street
City: Stamford State: CT ZIP: 06904

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

NOV 10 1998

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

3. Nature of conveyance:

Assignment Merger
 Security Agreement Change of Name
 Other SECURITY, PLEDGE & ASSIGNMENT AGREEMENT

Execution Date: October 30, 1998

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

A. Trademark Application No.(s) _____

B. Trademark Registration No.(s) 1,625,207
See Exhibit B attached hereto.

Additional numbers attached? Yes No

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

Name: TONYA CHAPPLE

Internal Address: CSC

Street Address: 80 STATE STREET

City: ALBANY State: NY ZIP: 12207

11/20/1998 DNGUYEN 00000314 1625207

6. Total number of applications and registrations involved: 5

7. Total fee (37 CFR 3.41).....\$ 140.00

Enclosed 140.00

Authorized to be charged to deposit account

8. Deposit account number: _____

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

01 FC:481 40.00 OP
02 FC:482 100.00 OP

DO NOT USE THIS SPACE

9. Statement and signature.
To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Kristine M. Dennis
Name of Person Signing

Kristine M. Dennis
Signature

11/3/98
Date

Total number of pages including cover sheet, attachments, and document: 68

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

**EXHIBIT B
TO SECURITY
AGREEMENT**

REGISTERED TRADEMARKS

<u>REGISTRATION NO.</u>	<u>TRADEMARK (OR SERVICE MARK)</u>	<u>REGISTRATION DATE</u>
1,625,207	TMA	November 27, 1990
1,625,208	TMA TAILORED MORTGAGE ALTERNATIVES & Design	November 27, 1990
1,622,875	BISAVER (for mortgage loan services)	November 13, 1990
1,622,258	BISAVER (for computer programs to administer monthly mortgage payments from funds collected on a biweekly basis)	November 13, 1990
1,785,838	CHANGING THE WAY AMERICANS REPAY THEIR MORTGAGES SINCE 1982	August 3, 1993

CONT. LIST OF CONVEYING PARTIES

DOUGLAS-MICHAELS SERVICING COMPANY, L.P.

DOUGLAS-MICHAELS CORPORATION

DMC SUBSIDIARY, INC.

SECURITY, PLEDGE AND ASSIGNMENT AGREEMENT

THIS SECURITY, PLEDGE AND ASSIGNMENT AGREEMENT (as amended, supplemented or modified from time to time, this "Agreement") is dated as of October 30, 1998, and is among **DOUGLAS-MICHAELS COMPANY, L.P.**, a Delaware limited partnership, **DOUGLAS-MICHAELS SERVICING COMPANY, L.P.**, a Delaware limited partnership, **THE DOUGLAS-MICHAELS CORPORATION**, a Virginia corporation, and **DMC SUBSIDIARY, INC.**, a Delaware corporation (each a "Grantor" and collectively the "Grantors"), and **FIRST UNION NATIONAL BANK**, a national banking association, (the "Bank").

Douglas-Michaels Company, L.P., (the "Borrower") and the Bank are parties to a Loan Agreement of even date herewith (as the same may be amended, supplemented or modified from time to time and including any agreement extending the maturity of, refinancing or otherwise restructuring all or any portion of the obligations of the Grantors, or any of them, under such agreement or any successor agreement, the "Loan Agreement"). To induce the Bank to enter into the Loan Agreement, and as a condition precedent to the Bank's obligations thereunder, each of the Grantors has agreed to grant a continuing security interest in and to the Collateral (as hereinafter defined) to secure the Obligations (as defined in the Note referred to in the Loan Agreement). Accordingly, the parties hereto agree as follows:

ARTICLE 1 - DEFINITIONS

Section 1.1. Definitions. Terms defined in the Loan Agreement and not otherwise defined herein have, as used herein, the respective meanings provided for therein. Otherwise, the following terms shall have following meanings:

"Accounts" means all "accounts" (as defined in the UCC) now owned or hereafter acquired by any Grantor, and shall also mean and include all accounts receivable, contract rights, book debts, notes, drafts and other obligations or indebtedness owing to any Grantor arising from the sale, lease or exchange of goods or other property by it and/or the performance of services by it (including, without limitation, any such obligation which might be characterized as an account or contract right under the Uniform Commercial Code in effect in any jurisdiction) and all of such Grantor's rights in, to and under all purchase orders for goods, services or other property, and all of such Grantor's rights to any goods, services or other property represented by any of the foregoing (including returned or repossessed goods and unpaid seller's rights of rescission, repletion, reclamation and rights to stoppage in transit) and all monies due to or to become due to such Grantor under all contracts for the sale, lease or exchange of goods or other property and/or the performance of services by it (whether or not yet earned by performance on the part of such Grantor), in each case whether now in existence or hereafter arising or acquired including, without limitation, the right to receive the proceeds of said purchase orders and contracts and all collateral security and guarantees of any kind given by any person or entity with respect to any of the foregoing.

“Account Debtor” means, with respect to any Account, Document, Instrument or General Intangible, any person or entity obligated to make payment thereunder, including, without limitation, any account debtor thereon.

“Assigned Agreements” means those contracts and agreements of the Grantors identified in **Schedule 4.7** hereto, as the same may be amended, modified or supplemented from time to time.

“Collateral” means all right, title and interest of the Grantors, or any of them, in the following, whether now owned or existing or hereafter acquired, created or arising, whether tangible or intangible, and regardless of where located:

- (i) Accounts;
- (ii) Inventory;
- (iii) General Intangibles;
- (iv) Documents;
- (v) Instruments;
- (vi) Equipment;
- (vii) Assigned Agreements;
- (viii) Pledged Interests
- (ix) the Collateral Accounts, all cash and other assets deposited therein from time to time, together with any and all securities, investments, investment property, financial assets, securities entitlements and other monies and property (including deposit accounts) of any kind of the Grantors, or any of them, maintained with or in the possession or under the control of the Bank, except for accounts maintained as escrow accounts with Bank or its affiliates or in which Bank or its affiliates maintain such accounts in a trust or fiduciary capacity, in each case pursuant to the express terms of the documentation executed to establish any such account;
- (x) all books and records (including, without limitation, customer lists, credit files, computer programs, printouts and other computer materials and records) of the Grantors, or any of them, pertaining to any of the Collateral; and
- (xi) all Proceeds of all or any of the Collateral described in clauses (i) through (x) above.

“Collateral Accounts” means the Account identified in that certain Cash Collateral Agreement given by the Borrower in favor of the Bank on even date herewith, and each of the Operating Accounts.

"Documents" means all documents (as defined in the UCC) or other receipts covering, evidencing or representing goods, now owned or hereafter acquired by the Borrower.

"Equipment" means all "equipment" (as defined in the UCC) now owned or hereafter acquired by any Grantor, including all items of machinery, equipment, furnishings and fixtures of every kind, whether affixed to real property or not, as well as all motor vehicles, automobiles, trucks, trailers, railcars, barges and vehicles of every description, trailers, handling and delivery equipment, all additions to, substitutions for, replacements of or accessions to any of the foregoing, all attachments, components, parts (including spare parts) and accessories whether installed thereon or affixed thereto and all fuel for any thereof.

"General Intangibles" means all "general intangibles" (as defined in the UCC) now owned or hereafter acquired by any Grantor, including, without limitation, (i) all obligations and indebtedness owing to such Grantor (other than Accounts), from whatever source arising, (ii) all Patents, Trademarks, copyrights, Licenses, rights in intellectual property, goodwill, trade names, service marks, trade secrets, confidential or proprietary technical and business information, know-how, show-how, software, customer lists, subscription lists, data bases and related documentation, registration, franchises and all other intellectual or other similar property rights, (iii) all rights or claims in respect of refunds for taxes paid, (iv) all rights in respect of any pension plans or similar arrangements maintained for employees of such Borrower or any member of the ERISA Group, (v) all "uncertificated securities" (as defined in the UCC), and (vi) any and all contract rights, general intangibles and other rights and privileges arising under or by virtue of the ownership or possession of the Pledged Interests.

"Inventory" means all "inventory" (as defined in the UCC) now owned or hereafter acquired by any Grantor, wherever located, and shall also mean and include, without limitation, all raw materials and other materials and supplies, work-in-process and finished goods and any products made or processed therefrom and all substances, if any, commingled therewith or added thereto.

"Investment" means any investment in any person or entity, whether by means of share purchase, capital contribution, loan, time deposit or otherwise.

"Item" means any "item" as defined in Section 4-104 of the UCC, and shall also mean and include checks, drafts, money orders or other media of payment.

"Licenses" means any Patent License, Trademark License or other license or sublicense as to which any Grantor is a party (other than those license agreements which by their terms prohibit assignment or a grant of a security interest by any Grantor as licensee thereunder); provided that the rights to payments under any such Licenses shall be included in the Collateral to the extent permitted thereby or by Section 9-318 of the Uniform Commercial Code.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

"Operating Account" means with respect to each Grantor the demand deposit account maintained with the Bank by such Grantor on which such Grantor draws checks to pay its operating

expenses.

"Patent License" means any agreement now or hereafter in existence granting to any Grantor, or pursuant to which any Grantor has granted to any other person, any right with respect to any Patent or any invention now or hereafter in existence, whether patentable or not, whether a Patent or application for Patent is in existence on such invention or not, and whether a Patent or application for Patent on such invention may come into existence.

"Patents" means all of the following:

(i) all letters patent and design letters patent of the United States or any other country, all applications for letters patent and design letters patent of the United States or any other country including, without limitation, applications 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 political subdivision thereof;

(ii) all reissues, divisions, continuations, continuations-in-part, renewals or extensions thereof;

(iii) all claims for, and rights to sue for, past or future infringement of any of the foregoing; and

(iv) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including, without limitation, damages and payments for past or future infringements thereof.

"Pledged Interests" means all right, title and interest of (i) Douglas-Michaels Company, L.P. (y) in and to DMC Subsidiary, Inc., as the sole shareholder thereof and (z) in and to Douglas-Michaels Servicing Company, L.P., as the sole limited partner thereof, (ii) The Douglas-Michaels Corporation in and to Douglas-Michaels Company, L.P. as the sole general partner thereof and as a limited partner thereof, and (iii) DMC Subsidiary, Inc. in and to Douglas Michaels Servicing Company, L.P., as the sole general partner thereof, in each case whether such interest is common or preferred, evidenced by a certificated security or uncertificated security, arising by contract, by virtue of possession of an instrument or certificate evidencing the same or by operation of law, together with all cash, securities, distributions, investment property, securities entitlements, warrants, rights, options, dividends, distributions, interest, financial assets and other property or assets at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the foregoing.

"Proceeds" means all proceeds of, and all other profits, products, rents or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of or other realization upon or payment for the use of, Collateral, including, without limitation, all claims of any Grantor against third parties for loss of, damage to or destruction of, or for proceeds payable under, or unearned premiums with respect to, policies of insurance in respect of, any Collateral, and any condemnation or requisition payments with respect to any Collateral, in each case whether now existing or hereafter arising.

"Security Agreement Questionnaires" means the questionnaires, in the form of **Exhibit A** attached hereto, completed and supplemented with the schedules and attachments contemplated thereby to the satisfaction of the Bank, and duly executed by an executive officer of the Grantor furnishing the same.

"Security Interests" means the security interests in the Collateral granted under the Security Agreement securing the Obligations.

"Trademark License" means any agreement now or hereafter in existence granting to any Grantor, or pursuant to which any Grantor has granted to any other person, any right to use any Trademark.

"Trademarks" means all of the following:

- (i) the registered Trademarks identified on **Exhibit B** attached hereto,
- (ii) all other trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, brand names, trade dress, prints and labels on which any of the foregoing have appeared or appear, package and other designs, and any other source or business identifiers, and general intangibles of like nature, and the rights in any of the foregoing which arise under applicable law,
- (iii) the goodwill of the business symbolized thereby or associated with each of them,
- (iv) all registrations and applications in connection therewith, including, without limitation, registrations and applications 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,
- (v) all reissues, extensions and renewals thereof,
- (vi) all claims for, and rights to sue for, past or future infringements of any of the foregoing; and
- (vii) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including, without limitation, damages and payments for past or future infringements thereof.

"UCC" means the Uniform Commercial Code as in effect on the date hereof in the Commonwealth of Virginia; provided that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the Security Interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the Commonwealth of Virginia, "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection.

Section 1.2. UCC Terms. As used herein, the following uncapitalized term shall have the meanings assigned to such terms in the UCC: "account", "account debtor", "certificated securities", "uncertificated securities", "investment property", "financial asset", "securities entitlement", "control", "chattel paper", "contract right", "document", "equipment", "letter of credit", "instrument", "warehouse receipt", "bill of lading", "documents of title", "inventory", "general intangible", "money", and "proceeds".

ARTICLE 2 - REPRESENTATIONS AND WARRANTIES

Each of the Grantors represents and warrants that:

Section 2.1. Title to Collateral. The applicable Grantors have good and marketable title to all of the Collateral, free and clear of any Liens other than Permitted Liens. Each Grantor has taken all actions necessary under the UCC to perfect its interest in any Accounts and "chattel paper" purchased or otherwise acquired by it, as against its assignors and creditors of its assignors. No Grantor has performed any act which might prevent the Bank from enforcing any of the terms of this Agreement or which would limit the Bank in any such enforcement. Other than financing statements or other similar or equivalent documents or instruments with respect to the Security Interests and Permitted Liens and financing statements in favor of IBJ Schroeder Bank & Trust Company which are to be terminated or assigned to the Bank upon disbursement of the Term Loan, no financing statement, mortgage, security agreement or similar or equivalent document or instrument covering all or any part of the Collateral is on file or of record in any jurisdiction in which such filing or recording would be effective to perfect a Lien on such Collateral. Upon disbursement of the Term Loan, no Collateral will be in the possession of any Person (other than a Grantor) asserting any claim thereto or security interest therein, except that the Bank or its designee may have possession of Collateral as contemplated hereby and by the Loan Agreement.

Section 2.2. Validity, Perfection and Priority of Security Interests. The Security Interests constitute valid security interests under the UCC securing the Obligations. When UCC financing statements containing a description of the Collateral in the form specified in **Exhibit C** hereto shall have been filed in the offices specified in **Schedule 4.1** hereto, the Security Interests shall constitute perfected security interests in all right, title and interest of the Grantors in the Collateral (except Inventory in transit) to the extent that a security interest therein may be perfected by filing pursuant to the UCC, prior to all other Liens and rights of others therein except for Permitted Liens.

Section 2.3. Insurance. The Inventory and Equipment are insured in accordance with the requirements of the Loan Agreement.

Section 2.4. Fair Labor Standards Act. All Inventory has or will have been produced in compliance with the applicable requirements of the Fair Labor Standards Act, as amended from time to time, or any successor statute, and regulations promulgated thereunder.

Section 2.5. Patents and Trademarks. As of the date hereof, the Grantors do not utilize any Patents, Patent Licenses, Trademarks or Trademark Licenses other than as disclosed in the Security Agreement Questionnaires.

Section 2.6. Regarding Pledged Interests.

(a) The Pledged Interests of the relevant Grantor constitute all of the interests in the relevant issuer thereof owned by such Grantor; such Grantor is the legal and equitable owner of such Pledged Interests free and clear of all liens, security interests, charges and encumbrances of every kind and nature other than those created by this Agreement; the Pledged Interests to be pledged by the relevant Grantor are duly issued by the issuer thereof; such Grantor has legal title to such Pledged Interests and good right and lawful authority to pledge, assign and deliver such Pledged Interests in the manner herein contemplated; and no consent or approval of any governmental body or regulatory authority or any securities exchange is or will be necessary for the pledge of such Pledged Interests hereunder or for the assignment to the Bank of the voting and other rights of the Bank created hereby or for the exercise by the Bank of any of its rights or remedies hereunder except as may be required in respect of any such exercises by laws affecting the offering and sale of securities generally; all capital contributions, subscription obligations, fees, costs and expenses which such Grantor is required to pay or make with respect to the Pledged Interests have been paid or made by such Grantor; and the Pledged Interests are not subject to any options or rights of first refusal to purchase the Pledged Interests which were not terminated (or rendered ineffective as to the Bank) prior to or as of the date of this Agreement. On or prior to the date hereof, the Grantors have caused to be delivered to the Bank all documents now in effect pertaining to the organization, ownership, management and control of each of the issuers of the Pledged Interests as more specifically identified on **Schedule 2.6** hereof (hereinafter the "Pledged Entity Documents"). The Pledged Entity Documents represent the entire understanding among the relevant Grantor and the relevant issuer with respect to such Grantor's (economic, managerial or otherwise) in and to such issuer. The transactions contemplated herein, including, without limitation, the pledge of the Pledged Interests and the exercise by the Bank of the remedies herein provided do not conflict with and do not constitute a violation of, any term or condition of the Pledged Entity Documents.

(b) This Agreement creates a valid security interest in favor of the Bank in the Pledged Interests. The taking possession by the Bank of the certificates representing the Pledged Interests and all other certificates, instruments and cash constituting Pledged Interests from time to time and, if applicable, the filing UCC financing statements in the filing offices specified in **Schedule 4.1** attached hereto in this form of **Exhibit C** attached hereto will perfect, and establish the first priority of, the Bank's Security Interest hereunder in the Pledged Interests, securing the Obligations. Except as set forth in this Section 2.6 (b), no other action is necessary to perfect such security interest.

(c) When any other Pledged Interests are delivered hereunder to such Grantor subsequent to the date hereof, such Grantor will be the legal and equitable owner of such Pledged Interests free and clear of all liens, security interest, charges and encumbrances of every kind and nature created or suffered by such Grantor other than those created or permitted by this Agreement; such Grantor will have legal title to such Pledged Interests and good and lawful authority to pledge, assign and deliver such Pledged Interests in the manner hereby contemplated; and no consent or approval of any governmental body regulatory authority, or of any securities exchange will be necessary to the validity of the rights created hereunder which will not have been obtained or for the exercise of any of the Bank's rights hereunder except as set forth in Section 2.6(a).

(d) Each Grantor shall execute and deliver to the Bank such documents and instruments, each in form and substance satisfactory to the Bank in its sole discretion, as the Bank in its sole discretion may require for the Bank or its designee to be admitted in the place of such Grantor as a general or limited partners, as the case may be, to those of the issuers of the Pledged Interests which are partnerships.

ARTICLE 3 - SECURITY INTEREST

Section 3.1. Grant of Security Interests. In order to secure the full and punctual payment of the Obligations in accordance with the terms thereof, and to secure the performance of all of the obligations of the Grantors hereunder and under the Loan Agreement and the other Loan Documents, each Grantor hereby grants, pledges and assigns to the Bank a continuing security interest in and to all of its respective right, title and interest in and to the Collateral, whether now owned or existing or hereafter acquired, created or arising, whether tangible or intangible, and regardless of where located.

Section 3.2. Continuing Liability of the Grantors. The Security Interests are granted as security only and shall not subject the Bank to, or transfer or in any way affect or modify, any obligation or liability of the Grantors with respect to any of the Collateral or any transaction in connection therewith.

ARTICLE 4 - COVENANTS

Each of the Grantors covenants and agrees with the Bank that until the payment in full of all Obligations and until there is no commitment by the Bank to make further advances in respect of the Working Capital Line or Cash Collateral Line, each Grantor will comply with the following:

Section 4.1. Delivery of Security Agreement Questionnaires; Filing of Financing Statements and Delivery of Search Reports. On or prior to the date hereof, the Grantors shall deliver to the Bank the Security Agreement Questionnaires and the financing statements specified in **Schedule 4.1** hereto for filing in the jurisdiction indicated thereon. The information set forth in the Security Agreement Questionnaires shall be correct and complete. Not later than sixty (60) days following the date hereof, the Grantors shall furnish to the Bank file search reports from each UCC filing office set forth in **Schedule 4.1** confirming the filing information set forth in such Schedule.

Section 4.2. Change of Name, Identity or Structure; Locations of Places of Business, Chief Executive Office and Collateral. No Grantor will change its name, identity or corporate structure in any manner unless it shall have given the Bank not less than thirty (30) days' prior notice thereof. No Grantor will change the location of (i) its place or places of business, its chief executive office or its chief place of business or (ii) the locations where it keeps or holds any Collateral or any records relating thereto from the applicable location described in the Security Agreement Questionnaires unless it shall have given the Bank not less than 30 days' prior notice thereof. No Grantor shall in any event change the location of its place or places of business, its chief executive office or any Collateral if such change would cause the Security Interests in such Collateral to lapse or cease to be perfected.

Section 4.3. Further Assurances. Each Grantor will, from time to time, at its expense, execute, deliver, file and record any statement, assignment, instrument, document, agreement or other paper and take any other action, (including, without limitation, any filings of financing or continuation statements under the UCC and any filings with the United States Patent and Trademark Office) that from time to time may be necessary or desirable, or that the Bank may reasonably request, in order to create, preserve, perfect, confirm or validate the Security Interests or to enable the Bank to obtain the full benefit of this Agreement, or to enable the Bank to exercise and enforce any of its rights, powers and remedies created hereunder or under applicable law with respect to any of the Collateral. To the extent permitted by applicable law, each Grantor hereby authorizes the Bank to execute and file financing statements or continuation statements without such Grantor's signature appearing thereon. The Grantors shall pay the costs of, or incidental to, any recording or filing of any financing or continuation statements concerning the Collateral.

Section 4.4. Collateral in Possession of Other Persons. If any Collateral is at any time in the possession or control of any warehouseman, bailee or agent or processor of any Grantor, such Grantor shall notify such warehouseman, bailee, agent or processor of the Security Interests created hereby and instruct such person in writing to hold all such Collateral for the Bank's account subject to the Bank's instructions. Each Grantor agrees that if any warehouse receipt or receipt in the nature of a warehouse receipt is issued with respect to any of its Inventory, such warehouse receipt or other receipt in the nature thereof shall not be "negotiable" (as such term is defined in Section 7-104 of the Uniform Commercial Code in any relevant jurisdiction or under other relevant law).

Section 4.5. Books and Records. Each Grantor shall keep full and accurate books and records relating to the Collateral in which it has an interest, including, without limitation, the originals of all documentation with respect thereto, records of all payments received, all credits granted thereon, all merchandise returned and all other dealings therewith, and each Grantor will make the same available to the Bank for inspection, at such Grantor's own cost and expense, at any and all reasonable times upon demand. Upon direction by the Bank, the Grantors shall stamp or otherwise mark such books and records in such manner as the Bank may reasonably require in order to reflect the Security Interests.

Section 4.6. Delivery of Instruments. Each Grantor will immediately deliver each Instrument, certificated security and uncertificated security in which it has an interest to the Bank indorsed (as applicable) to the Bank; provided that so long as no Event of Default shall have occurred and be continuing and except as provided by any other Loan Document, a Grantor may retain for collection in the ordinary course of business any Instruments received by it in the ordinary course of business, and the Bank shall, promptly upon request of any Grantor, make appropriate arrangements for making any other Instrument pledged by such Grantor available to it for purposes of presentation, collection or renewal (any such arrangement to be effected, to the extent deemed appropriate to the Bank, against trust receipt or like document).

Section 4.7. Modification of Assigned Agreements, Etc. Each Grantor shall keep the Bank informed of all material circumstances bearing upon the right, title and interest of such Grantor under the Assigned Agreements. Other than as permitted below, no Grantor will, except with the consent of the Bank, amend, modify, extend, renew, cancel or terminate any Assigned Agreement, waive any

default under or breach of any Assigned Agreement, compromise or settle any material dispute, claim, suit or legal proceeding relating to any Assigned Agreement, sell or assign any Assigned Agreement or interest therein, consent to or permit or accept any prepayment of amounts to become due under or in connection with any Assigned Agreement, except as expressly provided therein, or take any other action in connection with any Assigned Agreement which would impair the value of the interests or rights of such Grantor thereunder or which would impair the interests or rights of the Bank under this Agreement, except that, unless the Bank shall have notified the Grantors upon the occurrence of a Default or Event of Default that this exception is no longer applicable, each Grantor may modify, make adjustments with respect to, extend, renew, cancel, terminate, or agree to the substitution of parties (other than a substitution of a Grantor) to, any Assigned Agreements in the ordinary course of business to the extent that any such action, in each case, could not reasonably be expected to have a material adverse effect on the practical realization of the benefits intended to be bestowed upon the Bank hereunder in respect of the Assigned Agreements, such effect to be considered in the aggregate as to all of the Assigned Agreements. Each Grantor agrees duly to fulfill all of its obligations under or in connection with the Assigned Agreements.

Section 4.8. Certificates of Title; Fixtures. Unless the Bank otherwise agrees, the Grantors shall (i) on or prior to the date of the first Borrowing, in the case of Equipment constituting one or more titled vehicles now owned and (ii) within ten (10) days of acquiring any other Equipment constituting one or more titled vehicles, deliver to the Bank any and all certificates of title, applications for title or similar evidence of ownership of such Equipment and shall cause the Bank to be named as lienholder on any such certificate of title or other evidence of ownership. The Grantors shall promptly inform the Bank of any additions to or deletions from the Equipment and shall not permit any such items to become a fixture to real estate or an accession to other personal property.

Section 4.9. Disposition of Collateral. Without the prior written consent of the Bank, which consent shall not be unreasonably withheld, no Grantor will sell, lease, exchange, assign or otherwise dispose of, or grant any option with respect to, any Collateral except that, subject to the rights of the Bank hereunder if no Default or Event of Default shall have occurred and be continuing, a Grantor may sell, lease or exchange Inventory and obsolete, unused or unnecessary Equipment in the ordinary course of business, whereupon, in the case of such a sale or exchange, the Security Interests created hereby in such item (but not in any Proceeds arising from such sale or exchange) shall cease immediately without any further action on the part of the Bank.

Section 4.10. Insurance. Effective as of the date hereof, the Grantors will cause the Bank to be named as an insured party and loss payee on each insurance policy covering risks relating to any of their respective Inventory and Equipment. The Grantors will deliver to the Bank, upon its request, the insurance policies for such insurance or certificates of insurance evidencing such coverage. Each such insurance policy shall include effective waivers by the insurer of all claims for insurance premiums against the Bank, provide for coverage to the Bank regardless of the breach by any Grantor of any warranty or representation made therein, not be subject to co-insurance, provide that all insurance proceeds in excess of Fifty Thousand Dollars (\$50,000) per claim shall be adjusted with and payable to the Bank and provide that no cancellation, termination or material modification thereof shall be effective until at least thirty (30) days after receipt by the Bank of notice thereof.

Each Grantor hereby appoints the Bank as its attorney-in-fact to make proof of loss, claim for insurance and adjustments with insurers if an Event of Default has occurred and is continuing and in any event with respect to insurance claims in excess of One Hundred Thousand Dollars (\$100,000), and to execute or endorse all documents, checks or drafts in connection with payments made as a result of any insurance policies. The Grantors assume all liability and responsibility in connection with the Collateral acquired by them, and the liability of the Grantors to pay the Obligations shall in no way be affected or diminished by reason of the fact that such Collateral may be lost, destroyed, stolen, damaged or for any reason whatsoever unavailable to the Grantors or to any of them.

Section 4.11. Information Regarding Collateral. The Grantors will, promptly upon request, provide to the Bank all information and evidence it may reasonably request concerning the Collateral to enable the Bank to enforce the provisions of this Agreement.

Section 4.12. Covenants Regarding Patent, Trademark and Copyright Collateral.

(a) Each Grantor (either itself or through licensees) will, for each Patent, not do any act, or omit to do any act, whereby any Patent which is material to the conduct of such Grantor's business, if any, may become invalidated or dedicated to the public, and shall continue to mark any products covered by a Patent with the relevant patent number or indication that a Patent is pending as required by the Patent laws.

(b) Each Grantor (either itself or, if permitted by law, through its licensees or its sublicensees) will, for each Trademark, if any, material to the conduct of such Grantor's business, (i) maintain such Trademark in full force free from any claim of abandonment or invalidity for non-use, (ii) maintain the quality of products and services offered under such Trademark, (iii) display such Trademark with notice of federal registration to the extent required by applicable law, (iv) not knowingly use or knowingly permit the use of such Trademark in violation of any third party rights and (v) not permit any assignment in gross of such Trademark.

(c) Each Grantor (either itself or through licensees) will, for each work covered by a material copyright, if any, continue to publish, reproduce, display, adopt and distribute the work with appropriate copyright notice.

(d) Each Grantor shall notify the Bank immediately if it knows or has reason to know that any Patent, Trademark or copyright (or any application or registration relating thereto) material to the conduct of its business, if any, may become 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, United States Copyright Office or any court) regarding such Grantor's ownership of any Patent, Trademark or copyright, its right to register the same or to keep and maintain the same.

(e) Each Grantor will take all necessary steps to file, maintain and pursue each material application, if any, relating to the Patents, Trademarks and copyrights (and to obtain the relevant grant or registration) and to maintain each registration of the Patents, Trademarks and copyrights which is material to the conduct of such Grantor's business, including filing of

applications for renewal, affidavits of use, affidavits of incontestability and maintenance fees, and, if consistent with good business judgment, initiating opposition, interference and cancellation proceedings against third parties.

(f) In the event that any rights to any Patent, Trademark, copyright or License relating thereto material to the conduct of any Grantor's business is believed infringed, misappropriated or diluted by a third party, such Grantor shall notify the Bank promptly after it learns thereof and shall, if consistent with good business judgment, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and take such other actions as such Grantor shall reasonably deem appropriate under the circumstances to protect such Patent, Trademark, copyright or License.

(g) In no event shall any Grantor, either itself or through any agent, employee, licensee or designee, file an application for any Patent, Trademark or copyright with the United States Patent and Trademark Office, United States Copyright Office or any office or agency in any political subdivision of the United States or in any other country or any political subdivision thereof, unless not less than ten (10) days prior thereto it informs the Bank, and, upon request of the Bank, executes and delivers any and all agreements, instruments, documents and papers as the Bank may request to evidence the Security Interests in such Patent, Trademark or copyright and the goodwill or accounts and general intangibles of such Grantor relating thereto or represented thereby, and each Grantor hereby appoints the Bank its attorney-in-fact to execute and file such writings for the foregoing purposes.

ARTICLE 5 - SPECIFIC PROVISION RELATED TO PLEDGED INTEREST

Section 5.1 Voting Rights; Dividends, Etc.

(a) So long as no Event of Default shall have occurred and be continuing:

(i) Each Grantor shall be entitled to exercise any and all voting and/or consensual rights and powers relating or pertaining to its Pledged Interests or any part thereof for any purpose not inconsistent with the terms of this Agreement.

(ii) Each Grantor shall be entitled to receive and retain any and all cash distributions and interest payable in respect of its Pledged Interests permitted by the Loan Agreement, but any and all liquidating distributions in property, returns of capital or other unusual distributions made on or in respect of such Pledged Interests, whether resulting from a subdivision, combination or reclassification of the outstanding interests of any issuer thereof or received in exchange for such Pledged Interests or any part thereof or as a result of any merger, consolidation, acquisition or other exchange of assets to which any such issuer may be a party or otherwise, and any and all cash and other property received in payment of the principal of or in redemption of or in exchange for any Pledged Interests (either at maturity, upon call for redemption or otherwise), shall be and become part of the Collateral and, if received by such Grantor, shall be held in trust for the benefit of the Bank and shall forthwith be delivered to the Bank or its designated agent (accompanied by proper instruments of assignment and/or unit and/or bond powers executed by such in accordance with the Bank instructions).

(b) Each Grantor hereby appoints the Bank such Grantor's attorney-in-fact and proxy, with full authority in the place and stead of such Pledgor and in the name of such Grantor or otherwise, from time to time in the Bank's discretion during any period in which an Event of Default is continuing, to take any action and to execute any instrument to accomplish the purpose of this Agreement which appointment is, irrevocable and coupled with an interest.

(c) Upon the occurrence and during the continuance of an Event of Default, all rights of such Grantor to exercise the voting and/or consensual rights and powers which it is entitled to exercise pursuant to Section 5.1(a)(i) and/or to receive the distributions and interest payments which it is authorized to receive pursuant to Section 5.1(a)(ii) shall thereafter cease, and all such rights (as long as an Event of Default is continuing) shall thereupon become vested in the Bank which shall have the sole and exclusive right and authority to exercise such voting and/or consensual rights and powers and/or to receive and retain the distributions and/or interest payments which such Grantor would otherwise be authorized to receive pursuant to Section 5.1(a)(ii).

ARTICLE 6 - REMEDIES; RIGHTS UPON DEFAULT

Section 6.1. General Authority. Each Grantor hereby irrevocably appoints the Bank its true and lawful attorney, with full power of substitution, in the name of such Grantor, the Bank or otherwise, for the sole use and benefit of the Bank, but at such Grantor's expense, to the extent permitted by law to exercise at any time and from time to time while an Event of Default has occurred and is continuing, all or any of the following powers with respect to all or any of the Collateral, all acts of such attorney being hereby ratified and confirmed; such power, being coupled with an interest, is irrevocable until the Obligations are paid in full and until there is no commitment by the Bank to make further advances under the Loan Agreement in respect of the Working Capital Line and Cash Collateral Line, incur obligations or otherwise give value:

(i) to demand, sue for, collect, receive and give acquittance for any and all monies due or to become due thereon or by virtue thereof,

(ii) to settle, compromise, compound, prosecute or defend any action or proceeding with respect thereto,

(iii) to sell, transfer, assign or otherwise deal in or with the same or the proceeds or avails thereof, including without limitation for the implementation of any assignment, lease, License, sublicense, grant of option, sale or other disposition of any Patent, Trademark or copyright or any action related thereto, as fully and effectually as if the Bank were the absolute owner thereof, and

(iv) to extend the time of payment of any or all thereof and to make any allowance and other adjustments with reference thereto;

provided that the Bank shall give the Grantors not less than fifteen (15) days' prior notice of the time and place of any sale or other intended disposition of any of the Collateral, except any Collateral which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market. The Bank and the Grantors agree that such notice constitutes "reasonable

notification” within the meaning of Section 9-504(3) of the UCC. Except as otherwise provided herein, each Grantor hereby waives, to the extent permitted by applicable law, notice and judicial hearing in connection with the Bank’s taking possession or the Bank’s dispositions of any of the Collateral, including, without limitation, any and all prior notice and hearing for any prejudgment remedy or remedies and any such right which any Grantor would otherwise have under the Constitution or any statute of the United States or of any state, but nothing contained herein shall be deemed to waive any rights of the Grantors under Section 9-504 of the UCC which may not be waived under applicable law.

Section 6.2. Remedies Upon Event of Default.

(a) If any Event of Default has occurred and is continuing, the Bank may exercise all rights of a secured party under the UCC (whether or not in effect in the jurisdiction where such rights are exercised) and, in addition, the Bank may, without being required to give any notice, except as herein provided or as may be required by mandatory provisions of law, (i) withdraw all cash and investments in the Collateral Accounts and apply such cash and investments and other cash, if any, then held by it as Collateral as specified in Section 6.4 and (ii) if there shall be no such cash or investments or if such cash and investments shall be insufficient to pay all the Obligations in full or cannot be so applied for any reason, sell the Collateral or any part thereof at public or private sale, for cash, upon credit or for future delivery, and at such price or prices as the Bank may deem satisfactory. The Bank may be the purchaser of any or all of the Collateral so sold at any public sale (or, if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations, at any private sale). Each Grantor will execute and deliver such documents and take such other action as the Bank deems necessary or advisable in order that any such sale may be made in compliance with law. Upon any such sale, the Bank shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold. Each purchaser at any such sale shall hold the Collateral so sold to it absolutely and free from any claim or right of whatsoever kind, including any equity or right of redemption of any Grantor which may be waived, and each Grantor, to the extent permitted by law, hereby specifically waives all rights of redemption, stay or appraisal which it has or may have under any law now existing or hereafter adopted. The notice (if any) of such sale required by Section 6.2 shall (i) in the case of a public sale, state the time and place fixed for such sale, and (ii) in the case of a private sale, state the day after which such sale may be consummated. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Bank may fix in the notice of such sale. At any such sale the Collateral may be sold in one lot as an entirety or in separate parcels, as the Bank may determine. The Bank shall not be obligated to make any such sale pursuant to any such notice. The Bank may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned without further notice. In the case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by the Bank until the selling price is paid by the purchaser thereof, but the Bank shall not incur any liability in the case of the failure of such purchaser to take up and pay for the Collateral so sold and, in the case of any such failure, such Collateral may again be sold upon like notice. The Bank, instead of exercising the power of sale herein conferred upon it, may proceed by a suit or suits at law or in equity to foreclose the Security

Interests and sell the Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction.

(b) For the purpose of enforcing any and all rights and remedies under this Agreement the Bank may (i) require the Grantors to, and each Grantor agrees that it will, at its expense and upon the request of the Bank, forthwith assemble all or any part of the Collateral as directed by the Bank and make it available at a place designated by the Bank which is, in the Bank's opinion, reasonably convenient to the Bank and the Grantors, whether at the premises of any Grantor or otherwise, it being understood that the Grantors' obligation so to deliver the Collateral is of the essence of this Agreement and that, accordingly, upon application to a court of equity having jurisdiction, the Bank shall be entitled to a decree requiring specific performance by the Grantors of such obligations; (ii) to the extent permitted by applicable law, enter, with or without process of law and without breach of the peace, any premise where any of the Collateral is or may be located, and without charge or liability to the Bank seize and remove such Collateral from such premises; (iii) have access to and use the books and records of each of the Grantors relating to the Collateral; and (iv) prior to the disposition of the Collateral, store or transfer it without charge in or by means of any storage or transportation facility owned or leased by any of the Grantors, process, repair or recondition it or otherwise prepare it for disposition in any manner and to the extent the Bank deems appropriate and, in connection with such preparation and disposition, use without charge any Patent, Trademark, copyright, License relating thereto or technical process used by the Grantors, or any of them. The Bank may also render any or all of the Collateral unusable at the premises of any of the Grantors and may dispose of such Collateral on such premises without liability for rent or costs.

(c) Without limiting the generality of the foregoing, if any Event of Default has occurred and is continuing:

(i) the Bank may license, or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any Patents, Trademarks or copyrights included in the Collateral throughout the world for such term or terms, on such conditions and in such manner as the Bank shall in its sole discretion determine;

(ii) the Bank may (without assuming any obligations or liability thereunder), at any time and from time to time, enforce (and shall have the exclusive right to enforce) against any licensee or sublicensee all rights and remedies of each of the Grantors in, to and under any Patent License, Trademark License or license with respect to copyrights and take or refrain from taking any action under any provision thereof, and each Grantor hereby releases the Bank from, and agrees to hold the Bank free and harmless from and against any claims arising out of, any lawful action so taken or omitted to be taken with respect thereto; and

(iii) upon request by the Bank, each Grantor will use its best efforts to obtain all requisite consents or approvals by the licensor or sublicensor of each Patent License, license with respect to copyrights or Trademark License to effect the assignment of all of the Grantors' rights, title and interest thereunder to the Bank or its designee and will execute and deliver to the Bank a power of attorney, in form and substance satisfactory to the Bank, for the implementation of any lease, assignment, license, sublicense, grant of option, sale or other disposition of a Patent, Trademark or copyright; and

(iv) the Bank may direct the Grantors to refrain, in which event each Grantor shall refrain, from using or practicing any Trademark, Patent or copyright in any manner whatsoever, directly or indirectly and shall, if requested by the Bank change such Grantor's name to eliminate therefrom any use of any Trademark and will execute such other and further documents as the Bank may request to further confirm this and transfer ownership of the Trademarks, Patents, copyrights and registrations and any pending applications therefor to the Bank.

(d) In the event of any disposition of any Patent, Trademark or copyright pursuant to this Article 5, each Grantor shall supply its know-how and expertise relating to the manufacture and sale of the products or services bearing Trademarks or the products, services or works made or rendered in connection with or under Patents, Trademarks or copyrights, and its customer lists and other records relating to such Patents, Trademarks or copyrights and to the distribution of said products, services or works, to the Bank.

Section 6.3. Limitation on Duty of the Bank in Respect of Collateral. Beyond the exercise of reasonable care in the custody thereof, the Bank shall have no duty to exercise any rights or take any steps to preserve the rights of any Grantor in the Collateral in its possession or control or the possession or control of any Grantor or in the possession or control of any agent or bailee or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto, nor shall the Bank be liable to any Grantor or any other Person for failure to meet any obligation imposed by Section 9-207 of the UCC or any successor provision other than its obligation to use reasonable care. The Bank shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which it accords its own property, and shall not be liable or responsible for any loss or damage to any of the Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehouseman, carrier, forwarding agency, consignee or other agent or bailee selected by the Bank in good faith.

Section 6.4. Application of Proceeds. The proceeds of any sale of, or other realization upon, all or any part of the Collateral and any cash held in the Collateral Accounts shall be applied by the Bank in the following order of priorities:

(i) to payment of the reasonable expenses of such sale or other realization, including reasonable compensation to agents and counsel for the Bank, and all expenses, liabilities and advances incurred or made by the Bank in connection therewith, and any other Obligations owing to the Bank in respect of sums advanced by the Bank to preserve the Collateral or to preserve its security interest in the Collateral;

(ii) an amount equal to (A) the unpaid principal of and accrued but unpaid interest on all Loans and all other Obligations which arise or are incurred in connection with the Loan Documents; plus (B) all unpaid fees owing to the Bank under the Loan Agreement; plus (C) to the extent not covered by paragraph (i) above, all unreimbursed expenses for which the Bank is to be reimbursed pursuant to any other term or provision of any of the Loan Documents shall be applied to payment of the Obligations;

(iii) an amount equal to the Obligations arising under any swap agreements (as

defined in 11 U.S.C. § 101) between any of the Grantors and the Bank shall be applied to the payment thereof;

(iv) to the payment of all other Obligations, until all Obligations shall have been paid in full; and

(v) to payment to the Borrower or its successors or assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining from such proceeds.

Section 6.5. Assigned Agreements. Each of the Grantors hereby irrevocably authorizes and empowers the Bank, in the Bank's sole discretion, if an Event of Default has occurred and is continuing, to assert, either directly or on behalf of such Grantor, any claims such Grantor may have, from time to time, against any other party to any Assigned Agreement or to otherwise exercise any right or remedy of such Grantor under any Assigned Agreement (including without limitation, the right to enforce directly against any party to an Assigned Agreement all of such Grantor's rights thereunder, to make all demands and give all notices and make all requests required or permitted to be made by such Grantor under any Assigned Agreements) as the Bank may deem proper. Each Grantor hereby irrevocably makes, constitutes and appoints the Bank (and all officers, employees or agents designated by the Bank) as such Grantor's true and lawful attorney-in-fact for the purpose of enabling the Bank, to assert and collect such claims and to exercise such rights and remedies.

Section 6.6. Specific Remedies Related to Pledged Interests.

(a) The Bank may (i) exercise in respect of the Pledged Interests, in addition to other rights and remedies provided for herein or otherwise available to it, all of the rights and remedies of a secured party on default under the UCC; and (ii) without limiting the generality of the foregoing and without notice except as specified below, sell the Pledged Interests or any part thereof in one or more parcels at public or private sale, at any exchange or broker's board or elsewhere, at such price or prices and on such other terms as the Bank may deem commercially reasonable, for cash or on credit or for future delivery. The Bank agree that, to the extent notice of sale shall be required by law, at least ten (10) days notice to the Grantors of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Bank shall not be obligated to make any sale of Pledged Interests regardless of notice of sale having been given. The Bank may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) The Grantors recognize that the Bank may deem it impracticable to effect a public sale of all or any part of any securities constituting Pledged Interests and that the Bank may, therefore, determine to make one or more private sales of any such securities to a restricted group of purchasers who will be obligated 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. The Grantors acknowledge that any such private sale may be at prices and on terms less favorable to the seller than the prices and other terms which might have been obtained at a public sale and, notwithstanding the foregoing, agrees that such private sales shall not be deemed to have been made in a commercially unreasonable manner by reason of the fact that they are private sales, and that the Bank shall have

no obligation to delay sale of any such securities for the period of time necessary to permit the issuer of such securities to register such securities for public sale under the Securities Act of 1933, as amended (the "Securities Act"). The Grantors further acknowledge and agree that any offer to sell such securities which has been (i) publicly advertised on a bona fide basis in a newspaper or other publication of general circulation in the financial community of Fairfax, Virginia and Stamford, Connecticut (to the extent that such an offer may be so advertised without prior registration under the Securities Act), or (ii) made privately in the manner described above to not less than five bona fide offerees shall be deemed to involve a "public sale" for the purposes of Section 9-504(3) of the Code (or any successor or similar applicable statutory provision), notwithstanding that such sale may not constitute a "public offering" under the Securities Act, and that the Bank may, in such event, bid for the purchase of such securities.

ARTICLE 7 - MISCELLANEOUS

Section 7.1. Notices. Unless otherwise specified herein, all notices, requests and other communications to a party hereunder shall be in writing (including bank wire, telex, facsimile transmission or similar writing) and shall be given to such party: (i) at its address, facsimile number or telex number set forth on the signature pages hereof, or (ii) at such other address, facsimile number or telex number as such party may hereafter specify for the purpose of communication hereunder by notice to the other party hereto. Each such notice, request or other communication shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified in this section and the appropriate answer back is received, (ii) if given by facsimile transmission, when transmitted to the facsimile number specified in this section and confirmation of receipt is received, (iii) if given by mail and (a) if such notice is given by the Bank, a copy is sent by telecopy to David I. Albin, Esquire, at 203/348-5777 or such other counsel as the Grantors shall have designated to the Bank in writing as provided in this Section 7.1 to receive copies of notices and (b) if such notice is given by a Grantor, a copy is sent by telecopy to the Bank to the Attention of Thomas A. Banahan, Esquire, at 203/359-5878 or such other number as the Bank shall have designated to the Grantors in writing as provided in this Section 7.1, seventy-two (72) hours after the later of when such communication is deposited in the mails, certified mail, return receipt requested, with appropriate first class postage prepaid, addressed as specified in this section or such telecopy is sent, (iv) if given by mail without a copy being sent by telecopy, seven (7) days after such communication is deposited in the mails, certified mail, return receipt requested, with appropriate first class postage prepaid, addressed as specified in this section, or (v) if given by any other means, when delivered at the address specified in this Section 7.1. Rejection or refusal to accept, or the inability to deliver because of a changed address of which no notice was given shall not affect the validity of notice given in accordance with this section. The Bank may give notice to all Grantors at the address of Borrower (attention: Chief Financial Officer), and the Bank agrees that if it gives notice to any Grantor other than Borrower (attention: Chief Financial Officer) under the terms of any Loan Document, it will send a copy of such notice to Borrower (attention: Chief Financial Officer).

Section 7.2. No Waivers; Non-Exclusive Remedies. No failure or delay on the part of the Bank to exercise, no course of dealing with respect to, and no delay in exercising any right, power or privilege under this Agreement or any other Loan Document or any other document or agreement contemplated hereby or thereby shall operate as a waiver thereof nor shall any single or partial

exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided herein and in the other Loan Documents are cumulative and are not exclusive of any other remedies provided by law. Without limiting the foregoing, nothing in this Agreement shall impair the right of the Bank to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of any Grantor other than its indebtedness under the Loan Agreement and the other Loan Documents.

Section 7.3. Compensation and Expenses of the Bank; Indemnification.

(a) **Expenses.** The Grantors shall pay (i) all reasonable out-of-pocket expenses of the Bank, including fees and disbursements of counsel for the Bank, in connection with the preparation (other than incidental to the closing of the transaction contemplated in the Loan Agreement) and administration of this Agreement or any document or agreement contemplated hereby, any consent or waiver hereunder or any amendment hereof or any Default or alleged Default and (ii) if a Default occurs, all reasonable out-of-pocket expenses incurred by the Bank, including (without duplication) the fees and disbursements of outside counsel in connection with such Default and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) **Protection of Collateral.** If the Grantors, or any of them, fail to comply with the provisions of the Loan Agreement, this Agreement or any other Loan Document, such that, in the reasonable judgement of the Bank, the value of any Collateral or the validity, perfection, rank or value of any Security Interest is thereby diminished or potentially diminished or put at risk, the Bank may, but shall not be required to, effect such compliance on behalf of the Grantors, and the Grantors shall reimburse the Bank for the costs hereof on demand. All reasonable insurance expenses and all reasonable expenses of protecting, storing, warehousing, appraising, insuring, handling, maintaining and shipping the Collateral, any and all excise, property, sales and use taxes imposed by any state, federal or local authority on any of the Collateral, or in respect of periodic appraisals and inspections of the Collateral to the extent the same may be requested by the Bank from time to time subject to the limitations on such appraisals and inspections set forth in the Loan Agreement, or in respect of the sale or other disposition thereof shall be borne and paid by the Grantors. If the Grantors fail to promptly pay any portion thereof when due, the Bank may, at its option, but shall not be required to, pay the same and charge any Grantor's account therefor, and the Grantors agree to reimburse the Bank therefor on demand. All sums so paid or incurred by the Bank for any of the foregoing and any and all other sums for which the Grantors may become liable hereunder and all costs and expenses (including attorneys' fees, legal expenses and court costs) reasonably incurred by the Bank in enforcing or protecting the Security Interests or any of its rights or remedies under this Agreement, shall, together with interest thereon until paid at the rate applicable to the Working Capital Line plus 2%, be additional Obligations hereunder.

(c) **Indemnification.** The Grantors agree to indemnify each Indemnitee and hold each Indemnitee harmless from and against any and all liabilities, obligations, losses, damages, penalties, claims, demands, actions, suits, judgments, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by, imposed on or asserted against such Indemnitee in connection with any investigation or

administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened relating to or arising out of this Agreement or in any other way connected with the enforcement of any of the terms of, or the preservation of any rights hereunder, or in any way relating to or arising out of the manufacture, ownership, ordering, purchasing, delivery, control, acceptance, lease, financing, possession, operation, condition, sale, return or other disposition or use of the Collateral (including, without limitation, latent or other defects, whether or not discoverable) the violation of the laws of any country, state or other governmental body or unit, any tort (including, without limitation, any claims, arising or imposed under the doctrine of strict liability, or for or on account of injury to or the death of any Person (including any Indemnitee), or property damage), or contract claim; provided that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction. The Grantors agree that upon written notice by any Indemnitee of the assertion of such a liability, obligation, loss, damage, penalty, claim, demand, action, judgment or suit, the Grantors shall assume full responsibility for the defense thereof. Each Indemnitee agrees to use its best efforts to notify the Grantors of any such assertion of which such Indemnitee has knowledge.

(d) **Obligations; Survival.** Any amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement shall constitute Obligations. The indemnity obligations of the Grantors contained in this Section 6.3 shall continue in full force and effect notwithstanding the full payment of all Notes and all of the other Obligations and notwithstanding the discharge thereof.

Section 7.4. Amendments and Waivers. Any provision of this Agreement may be amended, changed, discharged, terminated or waived if, but only if, such amendment or waiver is in writing and is signed by the Grantors and the Bank.

Section 7.5. Successors and Assigns. This Agreement shall be binding upon each of the parties hereto and inure to the benefit of the Bank and its successors and assigns. No Grantor shall assign or delegate any of its rights and duties hereunder without the prior written consent of the Bank.

Section 7.6. Joint and Several Obligations. The obligations of the Grantors under this Agreement are joint and several.

Section 7.7. Limitation of Law; Severability.

(a) All rights, remedies and powers provided in this Agreement may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Agreement are intended to be subject to all applicable mandatory provisions of law which may be controlling and be limited to the extent necessary so that they will not render this Agreement invalid, unenforceable in whole or in part, or not entitled to be recorded, registered or filed under the provisions of any applicable law.

(b) If any provision hereof is invalid or unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and

effect in such jurisdiction and shall be liberally construed in favor of the Bank in order to carry out the intentions of the parties hereto as nearly as may be possible; and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provisions in any other jurisdiction.

Section 7.8. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia except as otherwise required by mandatory provisions of law and except to the extent that remedies provided by the laws of any jurisdiction other than the Commonwealth of Virginia are governed by the laws of such jurisdictions.

Section 7.9. Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when the Bank shall receive counterparts hereof executed by itself and each of the Grantors.

Section 7.10. Termination. Upon full, final and irrevocable payment and performance of all Obligations and the termination of the Bank's commitment under the Loan Agreement to make advances under the Working Capital Line and Cash Collateral Line, the Security Interests shall terminate and all rights to the Collateral shall revert to the Grantors. In addition, at any time and from time to time prior to such termination of the Security Interests, the Bank may release any of the Collateral. Upon any such termination of the Security Interests or release of Collateral, the Bank will, upon request by and at the expense of the Grantors, execute and deliver to the Grantors such documents as the Grantors shall reasonably request to evidence the termination of the Security Interests or the release of such Collateral, as the case may be. Any such documents shall be without recourse to or warranty by the Bank.

Section 7.11. Entire Agreement. This Agreement and the other Loan Documents constitute the entire agreement and understanding among the parties hereto and supersede any and all prior agreements and understandings, oral or written, and any contemporaneous oral agreements and understandings relating to the subject matter hereof and thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

BANK:

FIRST UNION NATIONAL BANK

By: Paul T. Savino
Name: Paul T. Savino
Title: Sr. V.P.
Notice Address: 300 Main Street
Stamford, CT 06904
Attn: Portfolio Management
Tel. No. 203- 401- 5885
Telecopy No. 203- 401- 5452

GRANTORS:

DOUGLAS-MICHAELS COMPANY, L.P.

Taxpayer Identification Number: 54-1765238

By: **THE DOUGLAS-MICHAELS CORPORATION,**
its corporate general partner

By: Douglas Van Cleaf
Name: Douglas Van Cleaf
Title: VP

DMC SUBSIDIARY, INC.

Taxpayer Identification Number: _____

By: Douglas Van Cleaf
Name: Douglas Van Cleaf
Title: ~~VP~~ Chairman
DC

DOUGLAS-MICHAELS SERVICING COMPANY, L.P.

Taxpayer Identification Number: _____ - _____

By: **DMC SUBSIDIARY, INC.**
its corporate general partner

By: D. Van Clief
Name: Don Van Clief
Title: Chairman

THE DOUGLAS-MICHAELS CORPORATION

Taxpayer Identification Number: ____ - _____

By: D. Van Clief
Name: Don Van Clief
Title: Chairman

Notice Address for all Grantors:

6564 Loisdale Court, Suite 500
Springfield, Virginia 22150
Attn: Chief Financial Office
Tel. No. 703-922-5000
Telecopy No. 703-922-0845

**SCHEDULE 2.6
TO SECURITY
AGREEMENT**

PLEGDED ENTITY DOCUMENTS

The Douglas-Michaels Corporation

- 1. Articles of Incorporation, as amended.
- 2. By-Laws, as amended.

DMC Subsidiary, Inc.

- 1. Certificate of Incorporation, as amended.
- 2. By-Laws, as amended.

Douglas-Michaels Company, L.P.

- 1. Certificate of Limited Partnership, as amended.
- 2. Third Amended and Restated Agreement of Limited Partnership.
- 3. Preferred Investment Agreement, as amended.
- 4. Warrants to purchase, in the aggregate, 22,850 Common Units of the Partnership.

Douglas-Michaels Servicing Company, L.P.

- 1. Certificate of Limited Partnership.
- 2. Amended and Restated Agreement of Limited Partnership.

TRADEMARK

OCT-29-98 13:07 FROM: JIM DIXON & MERLING LLP
REEL: 1817 FRAME: 0391

**SCHEDULE 4.7
TO SECURITY
AGREEMENT****SPECIFIC ASSIGNED AGREEMENTS**

BiSaver Agreements, as same may be amended, modified or superseded from time to time, with the following active BiSaver clients:

Atlantic Mortgage & Investment
May 1990

Bok Mortgage
February 1995

Columbia National, Inc.
August 1996

Dovenmuehle Mortgage, Inc.
January 1997

Fleet Mortgage Group
December 1989

FT Mortgage Companies
May 1993

GMAC Mortgage Corporation
May 1997

Kuutson Mortgage Corporation
September 1991

LaSalle Home Mortgage Corporation
August 1993

M&T Mortgage Corporation
May 1997

Mellon Mortgage Company
August 1995

Mercantile Mortgage
December 1992

North American Mortgage Company
June 1993

NationsBanc Mortgage Corporation
January 1995

North Shore Bank, FSB
July 1996

PNC Mortgage Corp. of America
June 1997

Resource Bancshares Mortgage Group, Inc.
April 1998

SourceOne Mortgage Services
May 1989

Star Bank Mortgage
April 1993

TCF Mortgage Corporation
November 1996

**SCHEDULE 4.1
TO
SECURITY AGREEMENT**

**SCHEDULE OF FILINGS
TO PERFECT SECURITY INTERESTS**

<u>Name of Debtor</u>	<u>Filing Jurisdiction</u>	<u>Type of Filing</u>	<u>File Number</u>	<u>Date of Filing</u>
Douglas-Michaels Company, L.P.	Virginia - State Corporation Commission	UCC-1		
Douglas-Michaels Company, L.P.	Virginia - Fairfax County	UCC-1		
Douglas-Michaels Company, L.P.	Connecticut - Secretary of State	UCC-1		
Douglas-Michaels Company, L.P.	Delaware - Secretary of State	UCC-1		
The Douglas-Michaels Corporation	Virginia - State Corporation Commission	UCC-1		
The Douglas-Michaels Corporation	Virginia - Fairfax County	UCC-1		
The Douglas-Michaels Corporation	Connecticut - Secretary of State	UCC-1		
DMC Subsidiary, Inc.	Virginia - State Corporation Commission	UCC-1		
DMC Subsidiary, Inc.	Virginia - Fairfax County	UCC-1		
DMC Subsidiary, Inc.	Connecticut - Secretary of State	UCC-1		
DMC Subsidiary, Inc.	Delaware - Secretary of State	UCC-1		
Douglas-Michaels Servicing Company, L.P.	Virginia - State Corporation Commission	UCC-1		
Douglas-Michaels Servicing Company, L.P.	Virginia - Fairfax County	UCC-1		
Douglas-Michaels Servicing Company, L.P.	Connecticut - Secretary of State	UCC-1		
Douglas-Michaels Servicing Company, L.P.	Delaware - Secretary of State	UCC-1		
BISAVER Center [by Douglas-Michaels Company, L.P.]	Virginia - State Corporation Commission	UCC-1		
BISAVER Center [by Douglas-Michaels Company, L.P.]	Virginia - Fairfax County	UCC-1		
BISAVER Center [by Douglas-Michaels Company, L.P.]	Connecticut - Secretary of State	UCC-1		
BISAVER Center [by Douglas-Michaels Company, L.P.]	Delaware - Secretary of State	UCC-1		

F:\VFILES\1520\02\CHART

**EXHIBIT A
TO
SECURITY AGREEMENT**

SECURITY AGREEMENT QUESTIONNAIRE

40019496:3

**TRADEMARK
REEL: 1817 FRAME: 0395**

*Private Mortgage Lenders
Doing business in Va*

TAILORED
MORTGAGE
ALTERNATIVES

September 29, 1998

Mr. Thomas A. Banahan
Windels, Marx Davies, & Ives
Six Landmark Square
Stamford, Connecticut 06901

*Have Assets?
C/N Present?
None*

Dear Mr. Banahan,

Enclosed are the Security Agreement Questionnaires for the First Union National Bank loan and credit lines for the DOUGLAS-MICHAELS COMPANY, L. P. and affiliates: The four completed questionnaires are for the following companies:

- THE DOUGLAS-MICHAELS CORPORATION (TD-MC)
- DOUGLAS-MICHAELS COMPANY, L. P. (D-M CO. L.P.)
- DMC SUBSIDIARY INC. (DMC SUBINC)
- DOUGLAS-MICHAELS SERVICING COMPANY, L.P. (D-M SERVCO. L.P.)

The Security Agreement Questionnaire of THE DOUGLAS-MICHAELS CORPORATION is answered in its role as the General Partner to DOUGLAS-MICHAELS COMPANY L.P. The Security Agreement Questionnaire of DMC SUBSIDIARY INC. is answered in its role as the General Partner to DOUGLAS-MICHAELS SERVICING COMPANY L.P.

Should you have any questions please call.

THE DOUGLAS-MICHAELS CORPORATION

F. L. TOLLESON
Assistant Secretary

cc: Doug Van Clief
Edmund M. Remondino, Esq.

THE DOUGLAS-MICHAELS CORPORATION

ONE WINDSCALE COURT SUITE 600 • SPRINGFIELD VIRGINIA 22151
703 922 7579 800 369-3300

TD-MC

SECURITY AGREEMENT QUESTIONNAIRE

THE DOUGLAS-MICHAELS CORPORATION (the Grantor) is entering into a (General Security Agreement(s)) with FIRST UNION NATIONAL BANK (the "Bank"). In connection with such Security Agreement(s), the Grantor, in response to the following questions, represents and warrants to the Bank as follows:

1. What is the Grantor's name as it appears in its certificate of incorporation, certificate of formation or partnership agreement. If not a corporation, limited liability company or partnership, what is the Grantor's complete name and what type of legal entity is the Grantor?

THE DOUGLAS-MICHAELS CORPORATION

2. Has the Grantor ever changed its name? If so, state each other name the Grantor has had.

NO

3. Does the Grantor do business under any other name? If so, state each such name.

THE DOUGLAS-MICHAELS CORPORATION is the General Partner of the "DOUGLAS-MICHAELS COMPANY, L.P."

4. Does the Grantor use or had the Grantor used any trade names or trade styles? if so, list each of them.

THE DOUGLAS-MICHAELS CORPORATION used the trademarks of "TMA", "TMA TAILORED MORTGAGE ALTERNATIVES & Design", "BISAVER", and "CHANGING THE WAY AMERICANS REPAY THEIR MORTGAGES SINCE 1982" until it assigned them to the DOUGLAS-MICHAELS COMPANY, L.P. on August 4, 1995.

US registered?

1



But see Q 19 p.5

TD-MC

5. Has the Grantor changed its identity or structure in any way within the past four (4) months? Changes in structure would include incorporation of partnership or sole proprietorship, mergers, consolidations and acquisitions. If any such change has occurred, describe the nature of such change and give the names of each corporation or other entity that was incorporated, merged or consolidated with or acquired by the Grantor in such transaction (including each name under which each such corporation or entity has done business) and the address of each place of business of each such corporation or entity immediately prior to such incorporation merger, consolidation, or acquisition with four (4) months prior to the date of this questionnaire.

NO

6. State the federal taxpayer identification number and complete address (including the county, state, and if other than the United States, the country) of the grantor's chief executive office and if different from its chief executive office where the Grantor keeps its books and records relating to its accounts, general intangibles and/or contract rights.

EIN# 54-1199381
THE DOUGLAS-MICHAELS CORPORATION
6564 LOISDALE COURT, SUITE 500
SPRINGFIELD, VIRGINIA 22150

7. Has the Grantor's chief executive office where the Grantor keeps its books and records relating to its accounts, general intangibles and/or contract rights been located at any other address during the past four (4) months? If so, specify each such address (including the county, state, and if other than United States, the country).

NO

TD-MC

8. State the complete address (including the county, state and if other than United States, the country) of each other place of business that the Grantor presently has.

**THERE IS ONLY ONE PLACE OF BUSINESS
6564 LOISDALE COURT, SUITE 500
SPRINGFIELD, VIRGINIA 22150**

9. State the complete address (including the county, state, and if other than United States, the country) of each of the places of business that the Grantor has had in the past four (4) months, other than those listed in the answers to questions 6, 7, and 8.

THERE ARE NONE.

10. State the complete address (including the county, state, and if other than United States, the country) of each location where the Grantor keeps any inventory or equipment, other than the place(s) of business listed in the answers to questions 6, 7, 8, and 9.

THE BUSINESS STORES SOME OLD RECORDS AT:

SPRINGFIELD SELF STORAGE, 7711 LOISDALE ROAD, SPRINGFIELD, VA. 22150

PAXTON VAN LINES, 5300 PORT ROYAL ROAD, SPRINGFIELD, VA. 22151

11. Has the Grantor hired any servicing company to bill keep, monitor, process, or assist in processing the Grantor's records of accounts under a bookkeeping or data processing agreement? If so, state name and address of such servicing company and submit copies of such agreements.

DOUGLAS-MICHAELS COMPANY, L.P. provides administrative and clerical support to its General Partner.

TD-MC

12. Has any of the Grantor's inventory or equipment been located during the past four (4) months at any location other than the location(s) listed in the answers to quations 6, 7, 8, 9 and 10? If so, state the complete address (including County, state, and if other than United States, the country) of each such location.

NONE

13. State the complete address (including the county, state, and of other than the United States, the country) of each location leased by the Grantor and state the name and companies address of the record owner of each such location.

THE DOUGLAS-MICHAELS CORPORATION RECEIVES OFFICE SPACE FROM THE DOUGLAS-MICHAELS COMPANY, L.P. AT NO COST.

14. Does any person or entity other than the Grantor have possession of any of the Grantor's inventory or equipment? If so, state the name and address (including the county, state, and if other than United States, the country) of each such person or entity.

NO

15. When the Grantor purchases goods, are there any places in which such goods might in the usual course of the purchase transaction be located even temporarily, for purposes of reshipment? If so, state the complete address (including the county, state, and if other United States, the country) of each such location.

NO

TD-MC

16. Has the Grantor acquired any of its inventory or equipment other than in The ordinary course of business? If so, specify the nature of such acquisition.

THE DOUGLAS-MICHAELS CORPORATION HAS NO INVENTORY OR EQUIPMENT.

17. Does the Grantor own or have an interest in any goods other than inventory or equipment, such as crops, minerals or the like? If so, please describe such goods and state the complete address (including the county, state, and if other than United States, the country) where such goods are located.

NO

18. Does the Grantor own or have an interest in any fixture? A fixture is generally something affixed to real estate with an intention that it remain affixed. If so please describe the real estate on to which such fixtures are, or are to be, affixed and state the name and address of the record owner of such location.

NO

19. Does the Grantor own or have an interest in any patents, copyrights or trade marks or is the Grantor in the process of filing any applications with any governmental authority to obtain any of the foregoing? If so, please describe.

NO

TD-MC

20. Does the Grantor manufacture or sell goods under or pursuant to licensing, patent or trademark agreements? If so, please describe.

NO

21. Are there any security agreements, financing statements or public notices which in any way relate to all or any part of the Grantor's accounts, chattel paper, general intangibles, documents, instruments, inventory, equipment, fixtures or other collateral on file or of record in any public office? If so, please describe.

NONE, TO OUR KNOWLEDGE, OTHER THAN WITH RESPECT TO THE EXISTING CREDIT AGREEMENTS WITH IBJ SCHRODER BANK, NEW YORK AND CREDIT AGRICOLE INDOSUEZ.

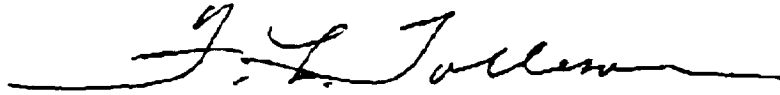
22. State the name, address and telephone number of the attorney that the Grantor intends to engage in connection with the transactions contemplated in the [Security Agreement].

**FINN, DIXON & HERLING LLP
ONE LANDMARK SQUARE
STAMFORD, CONNECTICUT 06901
(203) 325-5000**

ID-MC

The Grantor hereby certifies on this 29th day of September, 1998, that the answers to the foregoing questions are complete and correct and confirms that such answers constitute representations and warranties under the [General Security Agreement(s)] delivered to the Bank and understands that the Bank is relying upon such answers.

Name: THE DOUGLAS-MICHAELS CORPORATION
Address: 6564 Loisdale Court, Suite 500
Springfield, Virginia 22150



By: F. L. TOLLESON
Title: Assistant Secretary

Address: 6564 Loisdale Court, Suite 500
Springfield, Virginia 22150

Accepted this ____ day of _____ of 1998

FIRST UNION NATIONAL BANK

By: _____
Name:
Title:
Address:

D-M CO. LP.

SECURITY AGREEMENT QUESTIONNAIRE

DOUGLAS-MICHAELS COMPANY, L.P. (the 'Grantor) is entering into a [General Security Agreement(s)] with FIRST UNION NATIONAL BANK (the "Bank"). In connection with such Security Agreement(s), the Grantor, in response to the following questions, represents and warrants to the Bank as follows:

1. What is the Grantor's name as it appears in its certificate of incorporation, certificate of formation or partnership agreement. If not a corporation, limited liability company or partnership, what is the Grantor's complete name and what type of legal entity is the Grantor?

DOUGLAS-MICHAELS COMPANY, L. P.

2. Has the Grantor ever changed its name? If so, state each other name the Grantor has had.

NO

3. Does the Grantor do business under any other name? If so, state each such name.

DOUGLAS-MICHAELS COMPANY, L.P. uses its trademarks and copyrights in the conduct of business. See answers to 4 & 19 below.

4. Does the Grantor use or had the Grantor used any trade names or trade styles? If so, list each of them.

DOUGLAS-MICHAELS COMPANY, L.P. uses the trademarks of "TMA®", "TMA TAILORED MORTGAGE ALTERNATIVES & Design®", "BISAVER®", and "CHANGING THE WAY AMERICANS REPAY THEIR MORTGAGES SINCE 1982®". These registered trademarks were assigned to the DOUGLAS-MICHAELS COMPANY, L.P. by THE DOUGLAS-MICHAELS CORPORATION on August 4, 1995

D-M CO. L.P.

5. Has the Grantor changed its identity or structure in any way within the past four (4) months? Changes in structure would include incorporation of partnership or sole proprietorship, mergers, consolidations and acquisitions. If any such change has occurred, describe the nature of such change and give the names of each corporation or other entity that was incorporated, merged or consolidated with or acquired by the Grantor in such transaction (including each name under which each such corporation or entity has done business) and the address of each place of business of each such corporation or entity immediately prior to such incorporation merger, consolidation, or acquisition within four (4) months prior to the date of this questionnaire.

NO

6. State the federal taxpayer identification number and complete address (including the county, state, and if other than the United States, the country) of the grantor's chief executive office and if different from its chief executive office where the Grantor keeps its books and records relating to its accounts, general intangibles and/or contract rights.

**EIN# 54-1765238
DOUGLAS-MICHAELS COMPANY, L.P.
6564 LOISDALE COURT, SUITE 500
SPRINGFIELD, VIRGINIA 22150**

7. Has the Grantor's chief executive office where the Grantor keeps its books and records relating to its accounts, general intangibles and/or contract rights been located at any other address during the past four (4) months? If so, specify each such address (including the county, state, and if other than United States, the country).

NO

D-M CO. L.P.

8. State the complete address (including the county, state and if other than United States, the country) of each other place of business that the Grantor presently has.

**THERE IS ONLY ONE PLACE OF BUSINESS
6564 LOISDALE COURT, SUITE 500
SPRINGFIELD, VIRGINIA 22150**

9. State the complete address (including the county, state, and if other than United States, the country) of each of the places of business that the Grantor has had in the past four (4) months, other than those listed in the answers to questions 6, 7, and 8.

THERE ARE NONE.

10. State the complete address (including the county, state, and if other than United States, the country) of each location where the Grantor keeps any inventory or equipment, other than the place(s) of business listed in the answers to questions 6, 7, 8, and 9.

THE BUSINESS STORES SOME OLD RECORDS AT:

SPRINGFIELD SELF STORAGE, 7711 LOISDALE ROAD, SPRINGFIELD, VA. 22150

FAXTON VAN LINES, 5300 PORT ROYAL ROAD, SPRINGFIELD, VA. 22151

11. Has the Grantor hired any servicing company to bill keep, monitor, process, or assist in processing the Grantor's records of accounts under a bookkeeping or data processing agreement? If so, state name and address of such servicing company and submit copies of such agreements.

PAYCHEX, INC. is used to process payroll.

**DMC SUBSIDIARY, INC. provides EXECUTIVE MANAGMENT SERVICES.
This service provides the following four operating executives THE
PRESIDENT & CHIEF OPERATING OFFICER, EXECUTIVE VICE
PRESIDENT, CHIEF FINANCIAL OFFICER & SENIOR VICE PRESIDENT,
and a SENIOR VICE-PRESIDENT**

D-M CO. L.P.

12. Has any of the Grantor's inventory or equipment been located during the past four (4) months at any location other than the location(s) listed in the answers to quations 6, 7, 8, 9 and 10? If so, state the complete address (including County, state, and if other than United States, the country) of each such location.

NONE

13. State the complete address (including the county, state, and of other than the the United States, the country) of each location leased by the Grantor and state the name and companies address of the record owner of each such location.

OFFICE SPACE (29,666 SQUARE FEET OF OFFICE SPACE AND 5923 SQUARE FEET OF BASEMENT STORAGE SPACE) AT 6564 LOISDALE COURT, SUITE 500, SPRINGFIELD, VIRGINIA IS LEASED FROM:

**MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
c/o CAMBRIDGE ASSET ADVISORS LIMITED PARTNERSHIP
560 HERNDON PARKWAY, SUITE 210,
HERNDON, VIRGINIA 20170**

14. Does any person or entity other than the Grantor have possession of any of the Grantor's inventory or equipment? If so, state the name and address (including the county, state, and if other than United States, the country) of each such person or entity.

NO

15. When the Grantor purchases goods, are there any places in which such goods might in the usual course of the purchase transaction be located even temporarily, for purposes of reshipment? If so, state the complete address (including the county, state, and if other United States, the country) of each such location.

NO

D-M CO. LP.

16. Has the Grantor acquired any of its inventory or equipment other than in The ordinary course of business? If so, specify the nature of such acquisition.

NO

17. Does the Grantor own or have an interest in any goods other than inventory or equipment, such as crops, minerals or the like? If so, please describe such goods and state the complete address (including the county, state, and if other than United States, the country) where such goods are located.

NO

18. Does the Grantor own or have an interest in any fixture? A fixture is generally something affixed to real estate with an intention that it remain affixed. If so please describe the real estate on to which such fixtures are, or are to be, affixed and state the name and address of the record owner of such location.

DOUGLAS-MICHAELS COMPANY, L.P currently carries \$15,624.35 of leasehold improvements of which \$4,180.61 has been amortized through August 31, 1998. These Leasehold Improvements consist of modification and repairs to the leased office spaces.

19. Does the Grantor own or have an interest in any patents, copyrights or trade marks or is the Grantor in the process of filing any applications with any governmental authority to obtain any of the foregoing? If so, please describe.

On August 4, 1995 THE DOUGLAS-MICHAELS CORPORATION assigned the following Trademarks and Copyrights to the DOUGLAS-MICHAELS COMPANY, L.P.

TRADEMARKS:

- TMA®**
- TMA TAILORED MORTGAGE ALTERNATIVES & Design®**
- BISAVER®**
- CHANGING THE WAY AMERICANS REPAY THEIR MORTGAGES SINCE 1982®**

COPYRIGHTS:

- BiSaver Biweekly Mortgage Cost Reduction System®**
- BiSaver Marketing Letters®**
- Borrower Marketing Letters®**
- BiSaver BiWeekly Mortgage Cost Reduction System Agreement®**

D-M CO. L.P.

20. Does the Grantor manufacture or sell goods under or pursuant to licensing, patent or trademark agreements? If so, please describe.

NO

21. Are there any security agreements, financing statements or public notices which in any way relate to all or any part of the Grantor's accounts, chattel paper, general intangibles, documents, instruments, inventory, equipment, fixtures or other collateral on file or of record in any public office? If so, please describe.

NONE, TO OUR KNOWLEDGE, OTHER THAN WITH RESPECT TO THE EXISTING CREDIT AGREEMENTS WITH IBJ SCHRODER BANK, NEW YORK AND CREDIT AGRICOLE INDOSUEZ.

22. State the name, address and telephone number of the attorney that the Grantor intends to engage in connection with the transactions contemplated in the [Security Agreement].

**FINN, DIXON & HERLING LLP
ONE LANDMARK SQUARE
STAMFORD, CONNECTICUT 06901
(203) 323-5000**

D-M CO. L.P.

The Grantor hereby certifies on this 29th day of September, 1998, that the answers to the foregoing questions are complete and correct and confirms that such answers constitute representations and warranties under the [General Security Agreement(s)] delivered to the Bank and understands that the Bank is relying upon such answers.

Name: DOUGLAS-MICHAELS COMPANY, L.P.
Address: 6564 Loisdale Court, Suite 500
Springfield, Virginia 22150

By: THE DOUGLAS-MICHAELS CORPORATION
Its General Partner



By: F. L. TOLLESON
Title: Assistant Secretary

Address: 6564 Loisdale Court, Suite 500
Springfield, Virginia 22150

Accepted this ____ day of _____ of 1998

FIRST UNION NATIONAL BANK

By: _____
Name:
Title:
Address:

DMC SUBINC

SECURITY AGREEMENT QUESTIONNAIRE

DMC SUBSIDIARY, INC. (the 'Grantor) is entering into a [General Security Agreement(s)] with FIRST UNION NATIONAL BANK (the "Bank"). In connection with such Security Agreement(s), the Grantor, in response to the following questions, represents and warrants to the Bank as follows:

1. What is the Grantor's name as it appears in its certificate of incorporation, certificate of formation or partnership agreement. If not a corporation, limited liability company or partnership, what is the Grantor's complete name and what type of legal entity is the Grantor?

DMC SUBSIDIARY, INC.

2. Has the Grantor ever changed its name? If so, state each other name the Grantor has had.

NO

3. Does the Grantor do business under any other name? If so, state each such name.

NO. DMC SUBSIDIARY, INC. functions as the General Partner of DOUGLAS-MICHAELS SERVICING COMPANY, L.P., which is also registered to do business as "BiSaver Center" in several states.

4. Does the Grantor use or had the Grantor used any trade names or trade styles? If so, list each of them.

SEE 3 ABOVE.

DMC SUBINC

5. Has the Grantor changed its identity or structure in any way within the past four (4) months? Changes in structure would include incorporation of partnership or sole proprietorship, mergers, consolidations and acquisitions. If any such change has occurred, describe the nature of such change and give the names of each corporation or other entity that was incorporated, merged or consolidated with or acquired by the Grantor in such transaction (including each name under which each such corporation or entity has done business) and the address of each place of business of each such corporation or entity immediately prior to such incorporation merger, consolidation, or acquisition within four (4) months prior to the date of this questionnaire.

NO

6. State the federal taxpayer identification number and complete address (including the county, state, and if other than the United States, the country) of the grantor's chief executive office and if different from its chief executive office where the Grantor keeps its books and records relating to its accounts, general intangibles and/or contract rights.

**EIN# 54-1765241
DMC SUBSIDIARY, INC.
6564 LOISDALE COURT, SUITE 500
SPRINGFIELD, VIRGINIA 22150**

7. Has the Grantor's chief executive office where the Grantor keeps its books and records relating to its accounts, general intangibles and/or contract rights been located at any other address during the past four (4) months? If so, specify each such address (including the county, state, and if other than United States, the country).

NO

DMC SUBINC

- 8. State the complete address (including the county, state and if other than United States, the country) of each other place of business that the Grantor presently has.

**THERE IS ONLY ONE PLACE OF BUSINESS
 6564 LOISDALE COURT, SUITE 500
 SPRINGFIELD, VIRGINIA 22150**

- 9. State the complete address (including the county, state, and if other than United States, the country) of each of the places of business that the Grantor has had in the past four (4) months, other than those listed in the answers to questions 6, 7, and 8.

NONE.

- 10. State the complete address (including the county, state, and if other than United States, the country) of each location where the Grantor keeps any inventory or equipment, other than the place(s) of business listed in the answers to questions 6, 7, 8, and 9.

NONE

- 11. Has the Grantor hired any servicing company to bill keep, monitor, process, or assist in processing the Grantor's records of accounts under a bookkeeping or data processing agreement? If so, state name and address of such servicing company and submit copies of such agreements.

PAYCHEX, INC. is used to process payroll.

DOUGLAS-MICHAELS Servicing Company, L.P. provides administrative and clerical support to its General Partner through its Administrative and Clerical Support Agreement with the DOUGLAS-MICHAELS COMPANY, L.P.

DMC SUBINC

12. Has any of the Grantor's inventory or equipment been located during the past four (4) months at any location other than the location(s) listed in the answers to quations 6, 7, 8, 9 and 10? If so, state the complete address (including County, state, and if other than United States, the country) of each such location.

NONE

13. State the complete address (including the county, state, and of other than the United States, the country) of each location leased by the Grantor and state the name and companies address of the record owner of each such location.

DMC SUBSIDIARY, INC. RECEIVES OFFICE SPACE FROM THE DOUGLAS-MICHAELS COMPANY, L.P. AT NO COST.

14. Does any person or entity other than the Grantor have possession of any of the Grantor's inventory or equipment? If so, state the name and address (including the county, state, and if other than United States, the country) of each such person or entity.

DMC SUBSIDIARY, INC. HAS NO INVENTORY OR EQUIPMENT

15. When the Grantor purchases goods, are there any places in which such goods might in the usual course of the purchase transaction be located even temporarily, for purposes of reshipment? If so, state the complete address (including the county, state, and if other United States, the country) of each such location.

NO

DMC SUBINC

16. Has the Grantor acquired any of its inventory or equipment other than in The ordinary course of business? If so, specify the nature of such acquisition.

DMC SUBSIDIARY, INC. HAS NO INVENTORY OR EQUIPMENT

17. Does the Grantor own or have an interest in any goods other than inventory or equipment, such as crops, minerals or the like? If so, please describe such goods and state the complete address (including the county, state, and if other than United States, the country) where such goods are located.

NO

18. Does the Grantor own or have an interest in any fixture? A fixture is generally something affixed to real estate with an intention that it remain affixed. If so please describe the real estate on to which such fixtures are, or are to be, affixed and state the name and address of the record owner of such location.

NO

19. Does the Grantor own or have an interest in any patents, copyrights or trade marks or is the Grantor in the process of filing any applications with any governmental authority to obtain any of the foregoing? If so, please describe.

NO

DMC SUBINC

20. Does the Grantor manufacture or sell goods under or pursuant to licensing, patent or trademark agreements? If so, please describe.

NO

21. Are there any security agreements, financing statements or public notices which in any way relate to all or any part of the Grantor's accounts, chattel paper, general intangibles, documents, instruments, inventory, equipment, fixtures or other collateral on file or of record in any public office? If so, please describe.

NONE, TO OUR KNOWLEDGE, OTHER THAN WITH RESPECT TO THE EXISTING CREDIT AGREEMENTS WITH IBJ SCHRODER BANK, NEW YORK AND CREDIT AGRICOLE INDOSUEZ.

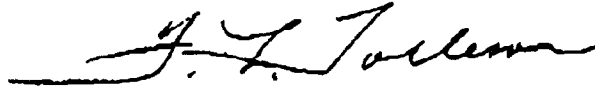
22. State the name, address and telephone number of the attorney that the Grantor intends to engage in connection with the transactions contemplated in the [Security Agreement].

**FINN, DIXON & HERLING LLP
ONE LANDMARK SQUARE
STAMFORD, CONNECTICUT 06901
(203) 325-5000**

DMC SUBINC

The Grantor hereby certifies on this 29th day of September, 1998, that the answers to the foregoing questions are complete and correct and confirms that such answers constitute representations and warranties under the [General Security Agreement(s)] delivered to the Bank and understands that the Bank is relying upon such answers.

Name: DMC SUBSIDIARY, INC.
Address: 6564 Loisdale Court, Suite 500
Springfield, Virginia 22150



By: F. L. TOLLESON
Title: CFO & Secretary

Address: 6564 Loisdale Court, Suite 500
Springfield, Virginia 22150

Accepted this ____ day of ____ of 1998

FIRST UNION NATIONAL BANK

By: _____
Name:
Title:
Address:

D-M SERVCO, L.P.

SECURITY AGREEMENT QUESTIONNAIRE

DOUGLAS-MICHAELS SERVICING COMPANY, L.P. (the 'Grantor) is entering into a [General Security Agreement(s)] with FIRST UNION NATIONAL BANK (the "Bank"). In connection with such Security Agreement(s), the Grantor, in response to the following questions, represents and warrants to the Bank as follows:

1. What is the Grantor's name as it appears in its certificate of incorporation, certificate of formation or partnership agreement. If not a corporation, limited liability company or partnership, what is the Grantor's complete name and what type of legal entity is the Grantor?

DOUGLAS-MICHAELS SERVICING COMPANY, L. P.

2. Has the Grantor ever changed its name? If so, state each other name the Grantor has had.

NO

3. Does the Grantor do business under any other name? If so, state each such name.

DOUGLAS-MICHAELS SERVICING COMPANY, L.P. does business as "BiSaver Center." It also provides financial services on behalf of "SmartLeads Biweekly Division, Inc."

4. Does the Grantor use or had the Grantor used any trade names or trade styles? If so, list each of them.

DOUGLAS-MICHAELS SERVICING COMPANY, L.P. uses the trademark "BISAVER[®]" with the permission of the DOUGLAS-MICHAELS COMPANY, L.P.

D-M SERVCO. L.P.

5. Has the Grantor changed its identity or structure in any way within the past four (4) months? Changes in structure would include incorporation of partnership or sole proprietorship, mergers, consolidations and acquisitions. If any such change has occurred, describe the nature of such change and give the names of each corporation or other entity that was incorporated, merged or consolidated with or acquired by the Grantor in such transaction (including each name under which each such corporation or entity has done business) and the address of each place of business of each such corporation or entity immediately prior to such incorporation merger, consolidation, or acquisition within four (4) months prior to the date of this questionnaire.

NO

6. State the federal taxpayer identification number and complete address (including the county, state, and if other than the United States, the country) of the grantor's chief executive office and if different from its chief executive office where the Grantor keeps its books and records relating to its accounts, general intangibles and/or contract rights.

EIN# 54-1765242
DOUGLAS-MICHAELS SERVICING COMPANY, L.P.
6564 LOISDALE COURT, SUITE 500
SPRINGFIELD, VIRGINIA 22150

7. Has the Grantor's chief executive office where the Grantor keeps its books and records relating to its accounts, general intangibles and/or contract rights been located at any other address during the past four (4) months? If so, specify each such address (including the county, state, and if other than United States, the country).

NO

D-M SERVCO, L.P.

8. State the complete address (including the county, state and if other than United States, the country) of each other place of business that the Grantor presently has.

**THERE IS ONLY ONE PLACE OF BUSINESS
6564 LOISDALE COURT, SUITE 500
SPRINGFIELD, VIRGINIA 22150**

9. State the complete address (including the county, state, and if other than United States, the country) of each of the places of business that the Grantor has had in the past four (4) months, other than those listed in the answers to questions 6, 7, and 8.

THERE ARE NONE.

10. State the complete address (including the county, state, and if other than United States, the country) of each location where the Grantor keeps any inventory or equipment, other than the place(s) of business listed in the answers to questions 6, 7, 8, and 9.

THE BUSINESS STORES SOME OLD RECORDS AT:

SPRINGFIELD SELF STORAGE, 7711 LOISDALE ROAD, SPRINGFIELD, VA. 22150

11. Has the Grantor hired any servicing company to bill keep, monitor, process, or assist in processing the Grantor's records of accounts under a bookkeeping or data processing agreement? If so, state name and address of such servicing company and submit copies of such agreements.

DOUGLAS-MICHAELS COMPANY, L.P. provides administrative and clerical support under a special agreement. DOUGLAS-MICHAELS SERVICING COMPANY, L.P. has no employees or fixed assets.

D-M SERVCO. L.P.

12. Has any of the Grantor's inventory or equipment been located during the past four (4) months at any location other than the location(s) listed in the answers to quations 6, 7, 8, 9 and 10? If so, state the complete address (including County, state, and if other than United States, the country) of each such location.

NONE

13. State the complete address (including the county, state, and of other than the the United States, the country) of each location leased by the Grantor and state the name and companies address of the record owner of each such location.

DOUGLAS-MICHAELS SERVICING COMPANY, L.P. RECEIVES OFFICE SPACE FROM THE DOUGLAS-MICHAELS COMPANY, L.P. AT NO COST.

14. Does any person or entity other than the Grantor have possession of any of the Grantor's inventory or equipment? If so, state the name and address (including the county, state, and if other than United States, the country) of each such person or entity.

NO

15. When the Grantor purchases goods, are there any places in which such goods might in the usual course of the purchase transaction be located even temporarily, for purposes of reshipment? If so, state the complete address (including the county, state, and if other United States, the country) of each such location.

NO

D-M SERVCO. L.P.

16. Has the Grantor acquired any of its inventory or equipment other than in The ordinary course of business? If so, specify the nature of such acquisition.

NO

17. Does the Grantor own or have an interest in any goods other than inventory or equipment, such as crops, minerals or the like? If so, please describe such goods and state the complete address (including the county, state, and if other than United States, the country) where such goods are located.

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18. Does the Grantor own or have an interest in any fixture? A fixture is generally something affixed to real estate with an intention that it remain affixed. If so please describe the real estate on to which such fixtures are, or are to be, affixed and state the name and address of the record owner of such location.

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19. Does the Grantor own or have an interest in any patents, copyrights or trade marks or is the Grantor in the process of filing any applications with any governmental authority to obtain any of the foregoing? If so, please describe.

NO

D-M SERVCO. L.P.

20. Does the Grantor manufacture or sell goods under or pursuant to licensing, patent or trademark agreements? If so, please describe.

NO

21. Are there any security agreements, financing statements or public notices which in any way relate to all or any part of the Grantor's accounts, chattel paper, general intangibles, documents, instruments, inventory, equipment, fixtures or other collateral on file or of record in any public office? If so, please describe.

NONE, TO OUR KNOWLEDGE, OTHER THAN WITH RESPECT TO THE EXISTING CREDIT AGREEMENTS WITH IBJ SCHRODER BANK, NEW YORK AND CREDIT AGRICOLE INDOSUEZ.

22. State the name, address and telephone number of the attorney that the Grantor intends to engage in connection with the transactions contemplated in the [Security Agreement].

**FINN, DIXON & HERLING LLP
ONE LANDMARK SQUARE
STAMFORD, CONNECTICUT 06901
(203) 325-5000**

D-M SERVCO. L.P.

The Grantor hereby certifies on this 29th day of September, 1998, that the answers to the foregoing questions are complete and correct and confirms that such answers constitute representations and warranties under the [General Security Agreement(s)] delivered to the Bank and understands that the Bank is relying upon such answers.

Name: DOUGLAS-MICHAELS SERVICING COMPANY, L.P.
Address: 6564 Loisdale Court, Suite 500
Springfield, Virginia 22150

By: DMC SUBSIDIARY, INC.
Its General Partner



By: F. L. TOLLESON
Title: CFO & Secretary

Address: 6564 Loisdale Court, Suite 500
Springfield, Virginia 22150

Accepted this ____ day of ____ of 1998

FIRST UNION NATIONAL BANK

By: _____
Name: _____
Title: _____
Address: _____

**EXHIBIT B
TO SECURITY
AGREEMENT**

REGISTERED TRADEMARKS

<u>REGISTRATION NO.</u>	<u>TRADEMARK (OR SERVICE MARK)</u>	<u>REGISTRATION DATE</u>
1,625,207	TMA	November 27, 1990
1,625,208	TMA TAILORED MORTGAGE ALTERNATIVES & Design	November 27, 1990
1,622,875	BISAVAR (for mortgage loan services)	November 13, 1990
1,622,258	BISAVAR (for computer programs to administer monthly mortgage payments from funds collected on a biweekly basis)	November 13, 1990
1,785,838	CHANGING THE WAY AMERICANS REPAY THEIR MORTGAGES SINCE 1982	August 3, 1993

**EXHIBIT C
TO
SECURITY AGREEMENT**

DESCRIPTION OF COLLATERAL

Description for Face of UCC-1:

All of the Debtor's now existing or hereafter arising right, title and interest in and to all personal property, tangible or intangible, whether now or hereafter in existence, including, without limitation, all accounts, accounts receivable, contract rights, money, instruments, documents, chattel paper, general intangibles, inventory, equipment and fixtures, as more fully described in Schedule A hereto which is made a part hereof. Products and proceeds of the foregoing, including any of the foregoing which are acquired with any cash proceeds of the foregoing, are included.

Text of Schedule A to UCC-1:

This financing statement covers the types of property described on the face of the Financing Statement of which this Schedule is a part and all right, title and interest of the Debtor in and to the following types (or items) of property whether now owned or existing or hereafter acquired, created or arising (all being collectively referred to as the Collateral):

- (a) Accounts;
- (b) Inventory;
- (c) General Intangibles;
- (d) Documents;
- (e) Instruments;
- (f) Equipment;
- (g) Pledged Interests;

(h) the Collateral Accounts, all cash deposited therein from time to time, together with any and all securities, investments, investment property, financial assets, securities entitlements and other monies and property (including deposit accounts) of any kind of the Debtor maintained with or in the possession or under the control of the Secured Party, except for accounts maintained as escrow accounts with Secured Party or its affiliates or in which Secured Party or its affiliates maintain such accounts in a trust or fiduciary capacity, in each case pursuant to the express terms of the documentation executed to establish any such account;

(i) all books and records (including, without limitation, customer lists, credit files, computer programs, printouts and other computer materials and records) of the Debtor pertaining to any of the Collateral; and

(j) all Proceeds of all or any of the Collateral described in clauses (a) through (g) hereof.

As used in this Schedule A, the following terms have the following meanings:

“Accounts” means all “accounts” now owned or hereafter acquired by the Debtor, and shall also mean and include all accounts receivable, contract rights, book debts, notes, drafts and other obligations or indebtedness owing to the Debtor arising from the sale, lease or exchange of goods or other property by it and/or the performance of services by it (including, without limitation, any such obligation which might be characterized as an account or contract right under the Uniform Commercial Code in effect in any jurisdiction) and all of the Debtor’s rights in, to and under all purchase orders for goods, services or other property, and all of the Debtor’s rights to any goods, services or other property represented by any of the foregoing (including returned or repossessed goods and unpaid sellers’ rights of rescission, repletion, reclamation and rights to stoppage in transit) and all monies due to or to become due to the Debtor under all contracts for the sale, lease or exchange of goods or other property and/or the performance of services by it (whether or not yet earned by performance on the part of the Debtor), in each case whether now in existence or hereafter arising or acquired including, without limitation, the right to receive the proceeds of said purchase orders and contracts and all collateral security and guarantees of any kind given by any Person with respect to any of the foregoing.

“Collateral Accounts” means one or more deposit accounts established with or in the possession or under the control of the Secured Party into which cash or cash proceeds (including cash proceeds of insurance policies, awards of condemnation or other compensation) of any Collateral are deposited from time to time.

“Documents” means all “documents” or other receipts covering, evidencing or representing goods, now owned or hereafter acquired by the Debtor.

“Equipment” means all “equipment” now owned or hereafter acquired by the Debtor, including all items of machinery, equipment, furnishings and fixtures of every kind, whether affixed to real property or not, as well as all motor vehicles, automobiles, trucks, trailers, railcars, barges and vehicles of every description, trailers, handling and delivery equipment, all additions to, substitutions for, replacements of or accessions to any of the foregoing, all attachments, components, parts (including spare parts) and accessories whether installed thereon or affixed thereto and all fuel for any thereof.

“General Intangibles” means all “general intangibles” now owned or hereafter acquired by the Debtor, including, without limitation, (i) all obligations and indebtedness owing to the Debtor (other than Accounts), from whatever source arising (ii) all Patents, Trademarks, copyrights, Licenses, rights in intellectual property, goodwill, trade names, trade secrets, confidential or proprietary technical and business information, know-how, show-how, software, customer lists, subscription lists, data bases and related documentation, registration, franchises and all other

intellectual or other similar property rights, (iii) all rights or claims in respect of refunds for taxes paid and (iv) all rights in respect of any pension plans or similar arrangements maintained for employees of the Debtor or any member of the ERISA Group, (v) all "uncertificated securities, and (vi) any and all contract rights, general intangibles and other rights and privileges arising under or by virtue of the ownership, possession or control of the Pledged Interests."

"Instruments" means all "instruments," "chattel paper," "certificated securities" or "letters of credit" evidencing, representing, arising from or existing in respect of, relating to, securing or otherwise supporting the payment of, any of the Accounts or General Intangibles, including (but not limited to) promissory notes, drafts, bills of exchange and trade acceptances, now owned or hereafter acquired by the Debtor.

"Inventory" means all inventory now owned or hereafter acquired by the Debtor, wherever located, and shall also mean and include, without limitation, all raw materials and other materials and supplies, work-in-process and finished goods and any products made or processed therefrom and all substances, if any, commingled therewith or added thereto.

"Licenses" means any Patent License, Trademark License or other license or sublicense as to which the Debtor is a party (other than those license agreements which by their terms prohibit assignment or a grant of a security interest by the Debtor as licensee thereunder); provided that the rights to payments under any such Licenses shall be included in the Collateral to the extent permitted thereby or by Section 9-318 of the Uniform Commercial Code.

"Patent License" means any agreement now or hereafter in existence granting to the Debtor, or pursuant to which the Debtor has granted to any other person, any right with respect to any Patent or any invention now or hereafter in existence, whether patentable or not, whether a Patent or application for Patent is in existence on such invention or not, and whether a Patent or application for Patent on such invention may come into existence.

"Patents" means all of the following:

(i) all letters patent and design letters patent of the United States or any other country, all applications for letters patent and design letters patent of the United States or any other country including, without limitation, applications 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 political subdivision thereof;

(ii) all reissues, divisions, continuations, continuations-in-part, renewals or extensions thereof;

(iii) all claims for, and rights to sue for, past or future infringement of any of the foregoing; and

(iv) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including, without limitation, damages and payments for past or future infringements thereof.

"Pledged Interests" means all right, title and interest of (i) Douglas-Michaels Company, L.P. (y) in and to DMC Subsidiary, Inc., as the sole shareholder thereof and (z) in and to Douglas-Michaels Servicing Company, L.P., as the sole limited partner thereof, (ii) The Douglas-Michaels Corporation in and to Douglas-Michaels Company, L.P. as the sole general partner and as a limited partner thereof, and (iii) DMC Subsidiary, Inc. in and to Douglas Michaels Servicing Company, L.P., as the sole general partner thereof, in each case whether such interest is common or preferred, evidenced by a certificated security or uncertificated security, arising by contract, by virtue of possession of an instrument or certificate evidencing the same or by operation of law, together with all cash, securities, distributions, investment property, securities entitlements, warrants, rights, options, dividends, distributions, interest, financial assets and other property or assets at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the foregoing.

"Proceeds" means all proceeds of, and all other profits, products, rents or receipts, in whatever form arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of or other realization upon or payment for the use of, collateral, including (without limitation) all claims of the Debtor against third parties for loss of, damage to or destruction of, or for proceeds payable under, or unearned premiums with respect to, policies of insurance in respect of, any collateral, and any condemnation or requisition payments with respect to any collateral, in each case whether now existing or hereafter arising.

"Trademark License" means any agreement now or hereafter in existence granting to the Debtor, or pursuant to which the Debtor has granted to any other person, any right to use any Trademark.

"Trademarks" means all of the following:

- (i) the registered Trademarks identified on **Exhibit B** attached hereto,
- (ii) all other trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, brand names, trade dress, prints and labels on which any of the foregoing have appeared or appear, package and other designs, and any other source or business identifiers, and general intangibles of like nature, and the rights in any of the foregoing which arise under applicable law,
- (iii) the goodwill of the business symbolized thereby or associated with each of them,
- (iv) all registrations and applications in connection therewith, including, without limitation, registrations and applications 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,
- (v) all reissues, extensions and renewals thereof,
- (vi) all claims for, and rights to sue for, past or future infringements of any

of the foregoing; and

(vii) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including, without limitation, damages and payments for past or future infringements thereof.

As used in this Schedule A, the uncapitalized terms "account," "account debtor," "certificated securities," "uncertificated securities," "investment property", "financial assets", "securities entitlement," "control", "chattel paper," "contract right," "document," "equipment," "letter of credit," "instrument," "warehouse receipt," "bill of lading," "document of title," "inventory," "general intangibles," "money" and "proceeds" have the meanings of such terms as defined in the Uniform Commercial Code in effect in the State in which the financing statement to which this Schedule is attached, is being filed.

CHARTERED
-100-

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

DMC SUBSIDIARY, INC.

See Reverse for
Certain Conditions

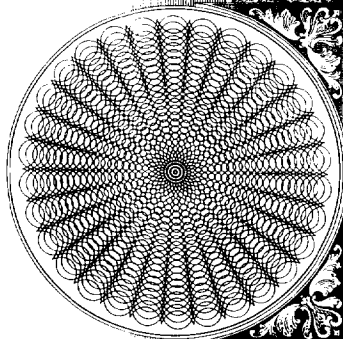
TOTAL AUTHORIZED ISSUE
10,000 SHARES PAR VALUE \$.01 EACH
COMMON STOCK

This is to Certify that Douglas-Michaels Company, L.P. is the owner of

one hundred fully paid and
non-assessable shares of the above Corporation transferable only on the books of the
Corporation by the holder hereof in person or by duly authorized Attorney upon
surrender of this Certificate properly endorsed.
Witness, the seal of the Corporation and the signatures of its duly authorized officers.

Dated July 6, 1995

[Signature]
ASSISTANT SECRETARY



[Signature]
CHAIRMAN

STOCK POWER

FOR VALUE RECEIVED, Douglas-Michaels Company, L.P.

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

hereby sell, assign and transfer unto

IBJ Schroder Bank & Trust Company

(100) Shares of the Common ^{par} Value \$.01 Capital Stock of DMC Subsidiary, Inc.

standing in my(our) name(s)

on the books of said Corporation represented by Certificate(s) No(s) 1

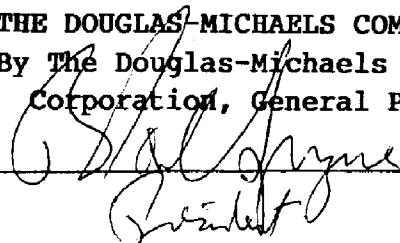
herewith, and do hereby irrevocably constitute and appoint

attorney to transfer the

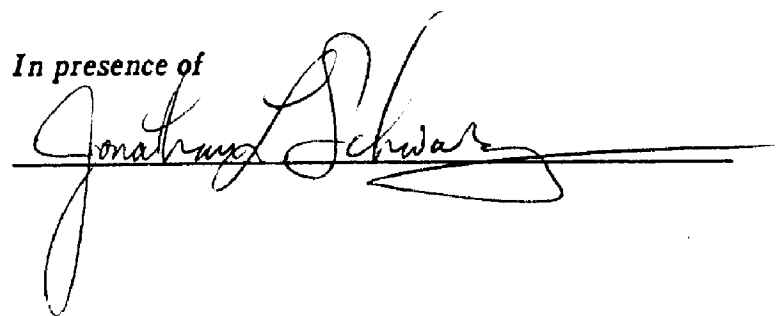
said stock on the books of said Corporation with full power of substitution in the premises.

THE DOUGLAS-MICHAELS COMPANY, L.P.
By The Douglas-Michaels
Corporation, General Partner

Dated _____



In presence of



CERTIFICATE

FOR

COMMON UNITS

IN

DOUGLAS-MICHAELS COMPANY, L.P.

No. 1

18,803 Common Units

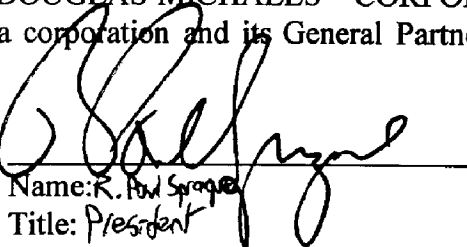
THE DOUGLAS-MICHAELS CORPORATION, a Virginia corporation, as the General Partner of DOUGLAS-MICHAELS COMPANY, L.P., a Delaware limited partnership (the "Partnership"), hereby certifies WARWICK ACQUISITION, INC. is the registered owner of 18,803 Common Units of the Partnership ("Common Units"). The rights, preferences and limitations of the Common Units are set forth in the Amended and Restated Agreement of Limited Partnership of the Partnership dated as of August 3, 1995 (the "Partnership Agreement"), copies of which are on file at the Partnership's principal office.

THIS CERTIFICATE IS NOT NEGOTIABLE OR TRANSFERABLE EXCEPT AS PROVIDED IN THE PARTNERSHIP AGREEMENT.

DOUGLAS-MICHAELS COMPANY, L.P., a
Delaware limited partnership

By: THE DOUGLAS-MICHAELS CORPORATION, a
Virginia corporation and its General Partner

By:

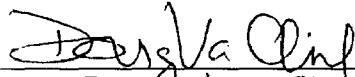

Name: R. Paul Sprague
Title: President

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND MAY NOT BE SOLD, ASSIGNED OR TRANSFERRED IN THE ABSENCE OF AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND APPLICABLE STATE SECURITIES LAWS, AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT AND SUCH LAWS OR AN OPINION OF COUNSEL SATISFACTORY TO THE GENERAL PARTNER OF THE PARTNERSHIP THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE CIRCUMSTANCES.

TRANSFER OF COMMON UNITS

For Value Received, WARWICK ACQUISITION, INC., does hereby sell, assign and transfer unto _____, as transferee, Eighteen Thousand Eight Hundred and Three (18,803) Common Units of Douglas-Michaels Company, L.P., a Delaware limited partnership (the "Partnership"), standing in its name on the books of said Partnership represented by Certificate No. 1, and does hereby irrevocably constitute and appoint the general partner of the Partnership or any officer or employee thereof as attorney to transfer the said units on the books of the within named Partnership with full power of substitution in the premises.

Dated: _____


Name: Douglas M. Cliff
Title: Vice President

IN PRESENCE OF

