



06-09-2000



101376376

**RECORDATION FORM COVER SHEET
TRADEMARKS ONLY**

05/14/00

TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

Submission Type

New

Resubmission (Non-Recordation)
Document ID #

Correction of PTO Error
Reel # Frame #

Corrective Document
Reel # Frame #

Conveyance Type

Assignment **License**

Security Agreement **Nunc Pro Tunc Assignment**

Merger

Change of Name

Other

Effective Date
Month Day Year

Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name

Formerly

Individual General Partnership Limited Partnership Corporation Association

Other

Citizenship/State of Incorporation/Organization

Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)

City

State/Country

Zip Code

Individual General Partnership Limited Partnership

Corporation **Association**

Other

Citizenship/State of Incorporation/Organization

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)

06/07/2000 JSHABAZZ 00000101 1716962

FOR OFFICE USE ONLY

01 FC:481
02 FC:482

40.00 DR
75.00 DR

Public burden reporting for this collection of information is estimated to average approximately 30 minutes per Cover Sheet to be recorded, including time for reviewing the document and gathering the data needed to complete the Cover Sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Chief Information Officer, Washington, D.C. 20231 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (0651-0027), Washington, D.C. 20503. See OMB Information Collection Budget Package 0651-0027, Patent and Trademark Assignment Practice. DO NOT SEND REQUESTS TO RECORD ASSIGNMENT DOCUMENTS TO THIS ADDRESS.

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

TRADEMARK
REEL: 002085 FRAME: 0004

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Pages

Enter the total number of pages of the attached conveyance document including any attachments.

#

Trademark Application Number(s) or Registration Number(s)

Mark if additional numbers attached

Enter either the Trademark Application Number *or* the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)			Registration Number(s)		
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="1716962"/>	<input type="text" value="1716963"/>	<input type="text" value="2004536"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="2174312"/>	<input type="text"/>	<input type="text"/>
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Number of Properties

Enter the total number of properties involved.

#

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41):

\$

Method of Payment:

Enclosed

Deposit Account

Deposit Account

(Enter for payment by deposit account or if additional fees can be charged to the account.)

Deposit Account Number:

#

Authorization to charge additional fees:

Yes

No

Statement and Signature

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document. Charges to deposit account are authorized, as indicated herein.

AMRESKO Commercial Finance, Inc.
Dale Conder, Vice President



April 28, 2000

Name of Person Signing

Signature

Date Signed

RECORDATION FORM COVER SHEET
CONTINUATION
TRADEMARKS ONLY

Conveying Party

Enter Additional Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name

Formerly

Individual General Partnership Limited Partnership Corporation Association

Other

Citizenship State of Incorporation/Organization

Receiving Party

Enter Additional Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

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Trademark Application Number(s)

Registration Number(s)

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**PLEDGE AND SECURITY AGREEMENT
ACLC 2000-1 SBL PROGRAM**

made by

CONCEPT ACQUISITIONS, LLC,
as Borrower

in favor of

AMRESKO COMMERCIAL FINANCE, INC.,
as Secured Party

PLEDGE AND SECURITY AGREEMENT (this "Security Agreement"), dated as of the date set forth on the signature page hereof, by CONCEPT ACQUISITIONS, LLC, a California limited liability company (the "Borrower") in favor of AMRESKO COMMERCIAL FINANCE, INC., a Nevada corporation (together with its successors and assigns, the "Secured Party").

Preliminary Statements

A. On the date hereof, the Secured Party will make certain loans (each a "Loan" and, collectively, the "Loans") to the Borrower reflected in a Promissory Note to the Secured Party, dated the date hereof (the "Promissory Note"), in a form prepared by and acceptable to Secured Party, which Promissory Note will evidence the Borrower's obligation, inter alia, (i) to repay the Loans, (ii) to guarantee the payment of delinquencies or defaults in respect of Program Loans (as defined therein) in an amount up to the Aggregate Credit Enhancement Amount (as defined therein), (iii) to pay rebatable Scheduled Monthly Credit Enhancement Obligation Payments (as defined therein) on each Loan and (iv) to pay interest and other amounts as set forth therein.

B. It is a condition to the making of the Loans, that the Borrower shall have executed and delivered this Security Agreement whereby the Borrower, in order to provide security for the full payment when due of all amounts payable under the Promissory Note, shall pledge and grant to the Secured Party a security interest in the collateral described herein.

NOW THEREFORE, in consideration of the foregoing and in order to induce the Secured Party to make the Loans available to the Borrower and for other good and valuable consideration, the receipt and sufficiency of which the Borrower hereby acknowledges, the Borrower and the Secured Party agree as follows:

ARTICLE I

DEFINITIONS AND OTHER TERMS

1. Definitions and Other Terms.

1.1. Defined Terms. The following terms shall have the meanings herein specified unless the context otherwise requires. All terms not otherwise defined herein shall have the meaning accorded to such terms in the Promissory Note. All terms defined in the singular will have the same meaning when used in the plural and vice versa.

"Accounts" means "accounts" as such term is defined in the UCC.

"Affiliate" means, with respect to any designated Person, any Person that, directly or indirectly, controls or is controlled by or is under common control with such designated Person and, without limiting the generality of the foregoing, shall include, (a) any Person who is a director or officer of, partner in, trustee of, or blood or legal relative, guardian or representative of the designated Person, or any Person who acts or serves in a similar capacity with respect to the designated Person, (b) any Person of which or whom the designated Person is a director or officer, partner, trustee, or blood or legal relative, guardian or representative, or with respect to which or whom, the designated Person acts or serves in a similar capacity; and (c) any Person, who, directly or indirectly, is the legal or beneficial owner of or controls ten percent (10%) or more of any class of equity securities of the designated Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Affiliate Guarantor" has the meaning ascribed to such term in Section 1.2.

"Aggregate Credit Enhancement Amount" has the meaning ascribed to such term in the Promissory Note.

"Applicable Collateral" means, for each Loan, the portion of the Collateral specifically relating to the Store which corresponds to such Loan (as set forth on Schedule 4 attached hereto).

"Business" means all Stores owned or operated by the Borrower.

"Business Day" means any day other than a Saturday, Sunday or a day on which banking institutions in New York City are authorized or obligated by law or executive order to be closed.

"Cash Flow" means, for any period, with respect to any Person, an amount equal to (a) the sum of (i) pre-tax income, (ii) interest expense, (iii) depreciation and amortization, (iv) Discretionary Expenses, (v) Rental Expense and (vi) Non-Recurring Expenses less (b) Non-Recurring Income, all as reflected on such Person's financial statement for such period.

"Chattel Paper" has the meaning ascribed to such term under the UCC.

"Code" means the Internal Revenue Code of 1986 as amended.

"Collateral" has the meaning ascribed to such term in Section 2.

"Consolidated FCCR" means, for any period, the ratio of (a) the Borrower's Cash Flow for such period to (b) the sum of Fixed Charges and Rental Expense of the Borrower for such period.

"Contracts" shall mean all contracts and agreements to which the Borrower now is, or hereafter will be, bound, or a party, beneficiary or assignee (other than rights evidenced by Chattel Paper, Documents or Instruments), including, without limitation, any franchise agreements, supplier agreements or license agreements and all other agreements and documents executed and delivered with respect to such contracts, and all revenues, royalties, franchise fees, marketing funds, advertising fees, transfer fees, renewal fees, training fees, management fees, supplier rebates, rentals and other sums of money due and to become due thereunder from any of the foregoing.

"Copyrights" shall mean all United States or other registered and unregistered copyrights, all licenses thereto, and all applications therefor, and all reissues, divisions, continuations, renewals, extensions, modifications, supplements thereto or to any part thereof, and the right to sue for past, present and future infringements of the foregoing, and all rights corresponding to the foregoing throughout the world.

"Credit Enhancement Amount" has the meaning ascribed to such term in the Promissory Note.

"Default Rate" has the meaning ascribed to such term in the Promissory Note.

"Deposit Accounts" has the meaning ascribed to such term in the UCC.

"Discretionary Expenses" means, with respect to any Person, the difference between (a) operating expenses for salaries, wages, benefits, and reimbursements and the like incurred by such Person and (b) the reasonable and customary expenses for salaries, wages, benefits, and reimbursements incurred by such Person, as determined by the Secured Party or any appointed servicer. Discretionary Expenses shall in no event be less than zero.

"Distributions" means distributions, all salaries, fees and other compensation, and all reimbursement or indemnification, directly or indirectly, paid or payable to (or for the benefit of) any Affiliate of the Borrower, other than a Person who is an officer of the Borrower and is not otherwise an Affiliate of the Borrower. "Distributions" shall include, but not be limited to, any payment or reimbursement of travel and entertainment expenses, automobile expenses, and premiums or expenses associated with any insurance policy other than those expressly required to be maintained pursuant to Section 3.18 hereof.

"Document" has the meaning ascribed to such term under the UCC.

"ERISA" means the Employee Retirement Income Security Act of 1974 as amended.

"Equipment" means any "equipment", as such term is defined in the UCC and not included within Inventory, now or hereafter owned or leased by the Borrower and, in any event, shall include, but shall not be limited to, all machinery, tools, computer software, office equipment, furniture, appliances, furnishings, fixtures, vehicles, motor vehicles, petroleum storage tanks and pumps, and any manuals, instructions and similar items which relate to the foregoing, and any and all additions, substitutions and replacements of any of the foregoing, wherever located, together with all improvements thereon and all attachments, components, parts, equipment and accessories installed thereon or affixed thereto.

"Event of Default" has the meaning ascribed to such term in Section 7.

"Financing Statements" means the UCC financing statements, prepared by Secured Party, and delivered to Borrower and which Borrower must execute and deliver to Secured Party as a condition under the Loan Documents.

"Fixed Charges" means, with respect to any Person, for any period, without duplication, the aggregate of all amounts paid or accrued by such Person during such period with respect to Indebtedness, as determined in accordance with generally accepted accounting principles.

"Franchise Agreement" means any franchise or license agreement or agreements with Borrower as franchisor or licensor, or as franchisee or licensee.

"Franchised Restaurants" means the network of stores owned or leased and operated by authorized licensees or franchisees of Borrower.

"General Intangibles" shall mean "general intangibles" as such item is defined in the UCC and shall include, but not be limited to, writings, memoranda, confirmations, passbooks, signature cards, acknowledgements, understandings, contract rights, licenses, including Liquor Licenses, leases, permits, filings, consents, and approvals, and all puts, calls, options, warrants, and securities, and all security interests, Patents, inventions, processes, lists (including customer and suppliers lists), methods, and information (including proprietary information, director and shareholder, sales, business, financial, accounting, forecasts, projections, media, and other information), know-how, software, programs, plans, data, blueprints, designs, drawings, surveys, notices, Copyrights, Trademarks, tradenames, trade secrets, service marks, service names, logos and goodwill, and all recordings and registrations thereof, applications for recording or registration, renewals, modifications, supplements, reissues, continuations, extensions, divisions thereof and rights corresponding thereto, and all manuals, standards, practices, mail, advertisements, files, reports, books, catalogs, records, journals, invoices, and bills, and all rights (including voting rights, rights to receive notice or to consent, rights to payment, interest, dividends, distributions or earnings, rights to sue and enforce), powers (including powers of attorney), privileges, benefits, and remedies relating thereto or arising in connection therewith.

"Goods" has the meaning ascribed to such term in the UCC.

"Indebtedness" means, with respect to any Person, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, (d) all capitalized lease obligations of such Person, (e) all indebtedness of others secured by a Lien on any asset of such Person, whether or not such indebtedness has been assumed by such Person and (f) all indebtedness of others to the extent guaranteed by such Person.

"Instrument" has the meaning ascribed to such term in the UCC (other than Instruments constituting Chattel Paper).

"Insurance and Condemnation Proceeds" means (a) any and all proceeds of any insurance (insuring the Collateral or otherwise required to be maintained hereunder, including return of unearned premium), indemnity, warranty or guaranty payable to the Secured Party or Borrower from time to time, and claims for insurance, indemnity, warranty or guaranty effected or held for the benefit of the Borrower, with respect to any of the Collateral, and (b) any and all payments (in any form whatsoever) made or due and payable to the Borrower from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental authority (or any person acting under color of governmental authority).

"Inventory" means all inventory of the Borrower of every type or description, including all "inventory" as such term is defined in the UCC, now owned or hereafter acquired and wherever located, whether raw, in process or finished, and all materials usable in processing the same and all documents of title covering any inventory, including, without limitation, work in process, now owned or hereafter acquired or manufactured by the Borrower and held for sale in the ordinary course of its business; all present and future substitutions thereof, parts and accessories thereof and all additions thereto; and all Proceeds thereof and products of such inventory in any form whatsoever.

"Lease Obligations" means with respect to any Person, any obligations of such Person in connection with any leases for personal property (including Equipment) or real property, to the extent such obligations are not included in Indebtedness.

"License" means any license to use the Trademarks in connection with the operation of the Business.

"Lien" means any deed, mortgage, pledge, security interest, hypothecation, collateral assignment, encumbrance, lien (statutory or other), or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the UCC).

"Lien List" means the security interest, tax lien, suit and judgment search of the Borrower conducted in the locations set forth on Exhibit A hereto.

"Liquor License" means all liquor licenses issued to, or used by, Borrower or any Affiliate of Borrower in connection with the Stores including, but not limited to, all liquor licenses listed on Schedule 5 attached hereto.

"Loan" and **"Loans"** have the meanings ascribed to such terms in the preliminary statements of this Security Agreement.

"Loan Amount" shall have the meaning ascribed to such term in the Promissory Note.

"Loan Documents" means the Promissory Note, this Security Agreement and any guarantee, mortgage, deed of trust or other instrument, agreement, certificate or other writing, now or hereafter executed and delivered in connection with the Promissory Note or the Obligations.

"Make Whole Premium" means: (a) for a Fixed Rate loan has the meaning ascribed to such term in the Fixed Rate Promissory Note, and (b) for an Adjustable rate loan means the same as "Prepayment Premium" as such term is defined in the Adjustable Promissory Note.

"Non-Recurring Expenses" and **"Non-Recurring Income"** mean expenses or income, as the case may be, that is extraordinary and generally not reflected in any prior period or reasonably anticipated to be incurred in any subsequent period received.

"Note Amount" has the meaning ascribed to such term in the Promissory Note.

"Obligations" means each and every obligation, covenant, agreement, Indebtedness and liability of the Borrower to the Secured Party evidenced by, arising under or in connection with the Promissory Note (including, without limitation, indebtedness, obligations and liabilities in respect of principal, interest, the Make Whole Premium, the Credit Enhancement Amount and the Scheduled Monthly Credit Enhancement Obligation Payments for each of the Loans), this Security Agreement, or any other Loan Document, and any future advances thereon, renewals, extensions, modifications, amendments, substitutions and consolidations thereof, including the Borrower's obligations to pay (or reimburse the Secured Party for) all costs and expenses (including attorneys fees and disbursements) incurred by the Secured Party in obtaining, maintaining, protecting and preserving its interest in the Collateral or its security interest therein, foreclosing, retaking, holding, preparing for sale or lease, selling or otherwise disposing or realizing on the Collateral or in exercising its rights hereunder or as a secured party under the UCC, any other applicable law, regulation or rule or this Security Agreement, including interest on such costs and expenses which shall accrue at the rate of eight percent (8%) per annum, and all other indebtedness, obligations and liabilities of any kind of the Borrower to the Secured Party, now or hereafter existing (including future advances whether or not pursuant to commitment), arising directly between the Borrower and the Secured Party relating to the Loan Documents, whether absolute or contingent, joint and/or several, secured or unsecured, due or not due, contractual or tortious, liquidated or unliquidated, arising by operation of law or otherwise, or direct or indirect, including the Borrower's liabilities to the Secured Party as a member of any partnership, syndicate, association or other group, and whether incurred by the Borrower as principal, surety, endorser, guarantor, accommodation party or otherwise.

"Patents" means all United States or other registered and unregistered patents, all licenses thereto, and all applications therefor, and all reissues, divisions, continuations, renewals, extensions, modifications, supplements thereto or to any part thereof, and the right to sue for past, present and future infringements of the foregoing, and all rights corresponding to the foregoing throughout the world.

"Permitted Liens" means any and all of the Liens set forth on Exhibit B attached hereto.

"Person" means any individual, corporation, partnership, unincorporated association, firm, trust, joint stock company, joint venture or other entity of whatever nature.

"Principal Party" shall have the meaning ascribed to such term in Section 7(e).

"Proceeds" shall mean "proceeds" as such term is defined in the UCC or under other relevant law and shall include, but shall not be limited to, (a) any and all proceeds of any insurance (insuring the Collateral or otherwise required to be maintained hereunder, including return of unearned premium), indemnity, warranty or guaranty payable to the Secured Party or Borrower from time to time, and claims for insurance, indemnity, warranty or guaranty effected or held for the benefit of the Borrower, with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable to the Borrower from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental authority (or any person acting under color of governmental authority) and (c) any and all interest, income, dividends, distributions and earnings on the Collateral or other monies, revenues or other amounts derived from the Collateral, including any such amounts received in connection with any disposition of the Franchise Agreement.

"Program" means the ACLC 2000-1 SBL Program of loans to Program Borrowers.

"Program Borrower" has the meaning ascribed to such term in the Promissory Note.

"Program Loan Deficiencies" has the meaning ascribed to such term in the Promissory Note.

"Promissory Note" has the meaning ascribed to such term in the preliminary statements to this Security Agreement.

"Property" means all real property or properties in which Borrower has any estate, right, title, interest or claim, either in law or in equity, in possession or expectancy, whether now owned or held or hereafter acquired, and

any other rights and interests of Borrower which at any time relate to or arise out of or in connection with the foregoing and all products, rents, profits, royalties, issues, revenue, income and other benefits thereof.

"Rental Expense" means, with respect to any Person, for any period, the aggregate of all amounts paid or accrued with respect to Lease Obligations during such period, as determined in accordance with generally accepted accounting principles.

"Required Consolidated FCCR" has the meaning ascribed to such term in Section 3.15.

"Scheduled Monthly Credit Enhancement Obligation Payment" shall have the meaning ascribed to such term in the Promissory Note.

"Scheduled Monthly Loan Payment" shall have the meaning ascribed to such term in the Promissory Note.

"Securitization" means the sale, pledge, grant of a security interest, collateral assignment, transfer and delivery or other encumbrance or disposition of all or any portion of the Program Loans (or the Secured Party's rights and powers therein) by the Secured Party, from time to time, to one or more of its Affiliates or to other Persons, including the sale of the Program Loans by the Secured Party to one or more Persons who will issue debt instruments or equity certificates backed by such Program Loans and the servicing of such Program Loans by Person appointed as servicer in connection therewith.

"State" shall have the meaning ascribed to such term in the Promissory Note.

"Store" means a commercial property, business or franchise owned and/or operated by the Borrower and includes all aspects of such commercial property, business or franchise.

"Trademarks" shall mean all United States or other registered or unregistered trademarks, trade names, service marks and service names together with the goodwill of the business connected with the use thereof, and symbolized thereby, all licenses thereto (including the License, if applicable), and all applications therefor, and all reissues, divisions, continuations, renewals, extensions, modifications, supplements thereto or to any part thereof, and the right to sue for past, present and future infringements of the foregoing, and all rights corresponding to the foregoing throughout the world including, without limitation, those trademarks listed on Schedule 6 attached hereto.

"UCC" means the Uniform Commercial Code (or any comparable law) in effect in any relevant jurisdiction the laws of which govern the perfection of security interests hereunder.

1.2. Certain Calculations. For the purposes of calculating the Borrower's Cash Flow, Discretionary Expenses, Non-Recurring Expenses, Non-Recurring Income, Indebtedness and Lease Obligations, the term "Borrower" shall mean the Borrower and any Affiliate of the Borrower (an "Affiliate Guarantor") that is providing the Secured Party with a guarantee of any of the Borrower's Obligations and the term "financial statement" shall mean a consolidated financial statement of the Borrower and such Affiliate.

1.3. Rules of Construction. When used in this Security Agreement: (a) "or" is not exclusive; (b) a reference to a law includes any amendment or modification of such law; (c) a reference to a Person includes its permitted successors and permitted assigns; and (d) a reference to an agreement, instrument or document shall include such agreement, instrument or document as the same may be amended, modified or supplemented from time to time in accordance with its terms.

ARTICLE II

SECURITY INTERESTS

2. Security Interests.

2.1. Pledge and Grant of Security Interest. As collateral security for the prompt and complete payment and performance when due of all of the Obligations, the Borrower hereby pledges and grants to the Secured Party, a continuing security interest in, and Lien on, all of the Borrower's right, title and interest in and to the following (collectively, the "Collateral"): all Accounts, Goods, Documents, Chattel Paper, Deposit Accounts, Instruments, Inventory, Equipment, General Intangibles, Contracts (including, without limitation, all Franchise Agreements and Licenses), certificates of title, fixtures, money, securities, deposits, credits, claims, demands, assets, furniture and other personal property of Borrower, whether now owned, existing, hereafter acquired, held or used, and any other property, rights and interests of the Borrower which at any time relate to, arise out of or in connection with the foregoing or which shall come into the possession or custody or under the control of the Secured Party or any of its agents, representatives, associates or correspondents, in connection with the foregoing; any and all additions and accessions, replacements, substitutions and improvements, of or to all the foregoing; and all products, rents, profits, offspring and Proceeds thereof. Without limiting the generality of the foregoing, this Security Agreement also secures the payment of all amounts which constitute part of the Obligations and would be owed by the Borrower to the Secured Party but for the fact they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Borrower.

2.2. Security Interest Absolute. All rights of the Secured Party and the security interests hereunder shall be absolute and unconditional irrespective of:

(a) any change in the time, manner, amount or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Promissory Note or any other Loan Document;

(b) any exchange, release or nonperfection of all or any part of the Collateral or any other collateral, or any release from, amendment to, waiver of or consent to departure from any guaranty, for all or any of the Obligations; or

(c) to the fullest extent permitted by law, any other circumstances which might otherwise constitute a defense available to, or a discharge of, the Borrower or a third party pledgor.

ARTICLE III

REPRESENTATIONS, WARRANTIES AND COVENANTS

3. Representations, Warranties and Covenants. The Borrower hereby represents, warrants and covenants that:

3.1. Organization. The Borrower (unless the Borrower is an individual) is and will continue to be duly formed, validly existing and in good standing under the laws of the state of its organization set forth on Schedule I and is duly authorized to do business in, and is in good standing in each jurisdiction where the Business, the Franchised Restaurants or the Property is located and where such organization, qualification or standing is necessary, required or proper in connection with the Franchised Restaurants, the Borrower's ownership or use of the Collateral or the Property or the conduct of the Business.

3.2. Power and Authority. The Borrower (and, with respect to clause (c), below, in the case of Loan Documents executed by an Affiliate Guarantor, each such Affiliate Guarantor) has all requisite power, authority and the legal right and all necessary permits, consents, licenses and authorizations (a) to own the Collateral, (b) to conduct the Business and (c) to execute, deliver and perform its obligations under this Security Agreement, the Promissory Note and the other Loan Documents.

3.3. Execution and Delivery; Enforceability. Upon execution, this Security Agreement, the Promissory Note and the other Loan Documents will be duly executed and delivered by the Borrower (and in the case of Loan Documents executed by an Affiliate Guarantor, by each such Affiliate Guarantor). Upon execution, each of this Security Agreement, the Promissory Note and the other Loan Documents will constitute a legal, valid and binding obligation of the Borrower, enforceable against the Borrower, in accordance with its terms.

3.4. Name; Chief Executive Office; Location.

(a) The Borrower's legal name, federal tax payor identification number, and mailing address are accurately set forth on Schedule 1. The Borrower has not merged, consolidated, acquired all or substantially all of the assets of any other Person, or except as disclosed on Schedule 1, used any other name (whether in connection with the Business, Property or the Collateral or for business, obtaining credit or financing or otherwise) in the last five years.

(b) The Borrower's principal place of business, chief executive office (and, if the Borrower is an individual, residence) is accurately set forth on Schedule 1.

(c) Schedule 1 correctly discloses all Property, the record owner of each Property, and if Borrower is not the record owner of any Property, then Borrower's interest in such Property. All personal property of the Borrower, including, without limitation, Accounts, Goods, Inventory, Equipment, General Intangibles, Contracts, Chattel Paper, Instruments, Documents, certificates of title, fixtures, securities and money, and all writings relating thereto and records thereof, books of record or account, employees, business, offices and operations are located at and conducted out of its chief executive office.

(d) The Borrower will neither change its name, federal tax payor identification number, or its chief executive office (or, if an individual, residence), nor the location of its business, property or assets (including the Collateral), nor assume a different name, nor conduct its business or affairs under any other name or in any other location, nor merge, consolidate, or change its corporate structure (whether by stock sale, issuance, purchase or otherwise), nor change its use of any item of Collateral, without in each instance providing the Secured Party with not less than sixty (60) days prior written notice of the proposed action and specifying within such notice and with reasonable clarity and particularity the timing and nature of such proposed action. Additionally, the Borrower shall provide such other information in connection with the proposed action as the Secured Party may reasonably request and shall have taken all action, reasonably satisfactory to the Secured Party, to maintain the security interest of the Secured Party in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect.

3.5. No Conflict. The Borrower's (and in the case of Loan Documents executed by an Affiliate Guarantor, such Affiliate Guarantor's) execution, delivery and consummation of the transactions contemplated by this Security Agreement, the Promissory Note and other Loan Documents do not and will not (with the passage of time or otherwise) (a) conflict with, violate or constitute a default under any law, rule, regulation, order, decree, contract, agreement (including the Franchise Agreement), note, mortgage, bond, indenture, lease, license, or obligation of or applicable to the Borrower (or such Affiliate Guarantor) or the Collateral or (b) grant, create or result in any Lien in favor of any person (other than the Secured Party) on or to the Business or any other property or assets of the Borrower (including the Collateral and the Franchise Agreement).

3.6. No Consent Required. Except for the filing of the Financing Statements in the locations set forth on Schedule 2 hereto (and, if applicable, the recording of the mortgage or deed of trust included in the Loan Documents), no consent of any other Person and no authorization, approval or other action by and no notice to or filing

with, any court, government, agency or regulatory authority is required (a) for the grant by the Borrower of the pledge and security interest granted hereby or for the execution, delivery or performance of this Security Agreement, the Promissory Note and other Loan Documents or (b) for validity, perfection or maintenance of the pledge, lien and security interest created hereby.

3.7. Affiliates. Schedule 3 contains a complete and accurate list of all Affiliates of the Borrower (including Affiliate Guarantors) who have executed and delivered any note, security agreement, guarantee or other loan document to the Secured Party.

3.8. Title to the Collateral. The Borrower has and, subject to Section 4, will maintain good and marketable title to the Collateral, the Property and the Franchise Agreement, free of all Liens (other than Permitted Liens and the security interest granted to the Secured Party hereunder); and the Collateral and the Franchise Agreement, are sufficient to enable a franchisor to operate the franchise of the Franchised Restaurants in accordance with the Franchise Agreement.

3.9. No Liens. Except as shown on the Lien List attached hereto as Exhibit A, there is no Lien (including any federal or state tax lien), suit (including any action, proceeding, or other litigation pending, or to the Borrower's knowledge, threatened) or judgment (including any award, injunction, order) filed with, registered, indexed or recorded in any public office, court, arbitration panel, administrative agency or regulatory authority (or intended so to be), directly or indirectly, identifying or encumbering or covering or involving the Collateral or the Franchise Agreement or which could have a material adverse effect on the Borrower, any Franchised Restaurant or the Borrower's ability to perform its Obligations. All Liens listed on Exhibit A shall be removed upon funding of the Loan unless such lien is specifically identified as a Permitted Lien. Other than the security interest granted to the Secured Party hereunder and the Permitted Liens, and except as provided in Section 4 hereof, the Borrower has not and, without the prior written consent of the Secured Party, will not enter into any agreement or understanding or take, permit or suffer to exist any action (including the filing of a financing statement, agreement, pledge, mortgage, notice or registration) or event (whether by operation of law or otherwise) for the purpose of, or that may have the effect of, directly or indirectly, (a) granting a Lien on (including any state or federal tax lien), pledging, transferring, assigning, selling, disposing of, or encumbering any Collateral or the Franchise Agreement, any interest therein or rights pertaining thereto or involving the Borrower or the Franchised Restaurants, or (b) changing, modifying, supplementing, or increasing the amount of credit, loans, indebtedness or value secured by the Permitted Liens, if any, or the amount, property or assets encumbered thereby.

3.10. Maintenance of Collateral and Business. At the Borrower's sole cost and expense, the Borrower shall (a) keep, use, operate and maintain the Collateral, the Business and the Property in accordance with applicable laws, rules, and regulations, and in accordance with the standards established by the Franchise Agreement, (b) operate the Business in accordance with the Franchise Agreement (if applicable) and customary, prudent business practices, and at all times fully comply with terms and provisions of the Franchise Agreement, (c) fully comply with all current and future laws and regulations concerning the storage and sale of petroleum products, if applicable, and (d) not do or suffer to be done any act whereby the value of the Collateral, the Property or any Franchised Restaurant or any part or interest therein may be lessened in any material respect. The Borrower shall notify the Secured Party promptly of any actual or threatened destruction or material damage or impairment of any Franchised Restaurant, the Collateral, the Business or the Property or if Borrower receives a notice of violation from any governmental entity or agency.

3.11. Perfected Security Interest. This Security Agreement and the grant and transfer of the Collateral hereunder creates a valid and enforceable security interest in the Collateral. Upon filing of the Financing Statements in the locations set forth on Schedule 2 hereto, such security interest will be perfected and subject to no prior or equal security interest other than and only to the extent of the Permitted Liens. The execution and filing of the Financing Statements has been duly authorized by all appropriate action on the part of the Borrower (and any other Person named as debtor therein) and the Borrower (and any other Person named as debtor therein) has duly executed the Financing Statements.

3.12. No Violation; Indemnity. The Borrower has not and shall not acquire, obtain, make, manufacture, produce, operate, hold, possess, maintain, use, sell, transfer, grant, pledge, or dispose of (for purposes of

this Section 3.12, collectively "the Borrower's use") any of its Business, securities, property or assets (including any proceeds of the Loans, the Collateral and the Property) in violation of any statute, law, rule, ordinance, regulation, policy, procedure, injunction, award, decree, judgment, contract, agreement (including the Franchise Agreement), understanding, or right or interest of any other Person (for purposes of this Section 3.12, each such event a "violation"), and to the Borrower's knowledge no such violation has been made by any other Person and no basis for a claim of any such violation exists. The Borrower shall indemnify and hold the Secured Party harmless from and against any such violation, and any other loss, liability, damage, cost or expense whatsoever (including attorneys' fees and disbursements) arising out of or in connection with the Borrower's use of any of its Business securities, property or assets (including any proceeds of the Loans, the Collateral and the Property).

3.13. Franchise Agreement. The Borrower is and will continue to be in good standing under the Franchise Agreement. The Borrower has not breached and is not in default under the Franchise Agreement; the Borrower shall not terminate, fail to renew, breach or be in default under the Franchise Agreement; and the Borrower has no knowledge of any claim of (or basis for any claim of) any such termination, nonrenewal, breach or default. The Borrower agrees to fully comply, at the Borrower's own cost and expense, with the terms of the License and the Franchise Agreement (including any renewal option) and to promptly notify the Secured Party of any adverse development with regard to the Franchise Agreement or the License, including any claim of breach of or default under, or threat of nonrenewal or termination of, or litigation involving the Franchise Agreement or the License.

3.14. Operating Experience. The Borrower or its managers have had at least two years experience operating the Mountain Mike's Pizza franchise system. In addition, the Mountain Mike's Pizza franchise system has been operating for at least twelve months.

3.15. FCCR. During the term of this Security Agreement, the Borrower shall maintain a Consolidated FCCR of not less than 1.30:1 (the "Required Consolidated FCCR"). All calculations of the Consolidated FCCR shall be based upon the financial information furnished by the Borrower hereunder (see Sections 3.21 and 3.22) for the twelve-month period ending December 31 of each year or more frequently as the Secured Party may from time to time reasonably request.

3.16. Limitation on Indebtedness, Lease Obligations and Distributions. The Borrower shall not, directly or indirectly, incur any Indebtedness, Lease Obligations or make or become obligated to make any Distributions if after giving effect to such incurrence or payments, the Consolidated FCCR would be less than the Required Consolidated FCCR.

3.17. Inspection. The Borrower shall allow the Secured Party, its agents and representatives, from time to time, to inspect the Collateral, the Property, the Franchised Restaurants and the Borrower's books and records pertaining thereto or otherwise to the Business, and the Borrower will assist (and permit abstracts and photocopies of the Borrower's books and records to be taken and retained by) the Secured Party, its agents and representatives in making any such inspection.

3.18. Insurance. At the Borrower's sole cost and expense, the Borrower shall:

(a) (i) maintain property insurance coverage for the Collateral (which for purposes of this Section 3.18 includes the Property) written on the special cause of loss form (including flood, if no certification or other evidence satisfactory to the Secured Party is delivered to the Secured Party to the effect that the Property is not located within a federally designated special flood hazard area) with such company or companies as may be required by the Secured Party, in an amount not less than the lesser of (A) the replacement value thereof, and (B) the Loan Amount payable under the Promissory Note, but in no event less than the minimum amount required to prevent the imposition of any coinsurance requirement on the insured, (ii) maintain commercial general liability insurance of not less than one million dollars for each occurrence with an aggregate limit of insurance (per location) of not less than two million dollars, (iii) maintain business income and business income from dependent properties insurance with scope and coverage reasonably satisfactory to the Secured Party, and (iv) maintain such other insurance (including workers' compensation) as may be required by law, by the Secured Party or by the Franchise Agreement;

(b) cause all commercial general liability insurance policies required hereunder (i) to be maintained by providers either (A) having ratings of not less than B++ from A.M. Best Company Inc. (or comparable ratings from a comparable rating agency) or (B) who, if not so rated, have been approved by the Secured Party and (ii) to contain an additional insured endorsement on ISO form CG2026, without modification and satisfactory in form and substance to the Secured Party providing for payment directly to the Secured Party and its designees and to provide for a minimum of thirty (30) days notice to the Secured Party and its designees prior to cancellation, modification, reduction in coverage or nonrenewal;

(c) cause all other insurance policies required hereunder (i) to be maintained by providers either (A) having ratings of not less than B++ from A.M. Best Company Inc. (or comparable ratings from a comparable rating agency) or (B) who, if not so rated, have been approved by the Secured Party and (ii) to contain a lender's loss payable endorsement and mortgagee's endorsement satisfactory in form and substance to the Secured Party providing for payment directly to the Secured Party and its designees and to provide for a minimum of thirty (30) days notice to the Secured Party and its designees prior to cancellation, modification, reduction in coverage or nonrenewal;

(d) timely pay all premiums, fees and charges required in connection with all of its insurance policies and otherwise continue to maintain such policies in full force and effect;

(e) promptly deliver the insurance policies, endorsements, certificates (and renewals) thereof or other evidence of compliance herewith to the Secured Party; and

(f) promptly notify the Secured Party of any loss covered by such insurance policies and allow the Secured Party to join the Borrower in settling any loss in excess of \$50,000.

3.19. Loan Proceeds. No part of the proceeds of the Loans will be used, directly or indirectly, for the purpose of buying or carrying any "margin stock" within the meaning of Regulation G or U of the Board of Governors of the Federal Reserve System. The Borrower intends to and agrees to use the proceeds of the Loans solely for the lawful, proper business or commercial purpose(s) set forth in its application for the Loans and Secured Party's commitment letter.

3.20. Solvency. The Borrower (and each Affiliate Guarantor) is solvent and, after giving effect to the Obligations, will continue to be solvent.

3.21. Reporting Requirements. The Borrower agrees to provide to the Secured Party within twenty (20) days after June 30 and December 31 of each calendar year during the term of this Security Agreement, a compliance certificate (in the form attached hereto as Exhibit C). The Borrower further agrees to provide to the Secured Party: (a) within seventy-five (75) days after December 31st of each calendar year and as the Secured Party may reasonably request from time to time, consolidated Borrower and individual Franchised Restaurant internally generated financial statements covering the twelve (12) month period then-ended; and (b) copies of such other reports and information as the Secured Party may from time to time request. The financial statements furnished to the Secured Party in connection with the Borrower's application for the Loans and hereunder reflects all Indebtedness and Lease Obligations of the Person covered thereby and is sufficiently detailed to allow the Secured Party to calculate the Consolidated FCCR. The Borrower further agrees to provide to the Secured Party, promptly following receipt by the Borrower, complete and accurate copies of any communications that are material to the Borrower, the Business, the Franchise Agreement or the Collateral. The Borrower hereby authorizes Secured Party to obtain sales and goodstanding verification directly from the other party to each Franchise Agreement.

3.22. Accuracy of Information. All information, reports, statements and financial and other data furnished (or hereafter furnished) by the Borrower to the Secured Party, its agents or representatives hereunder or in connection with the Borrower's application for the Loans and the Obligations, are (and shall be on the date so furnished) true, complete and correct. Borrower hereby authorizes Secured Party to request credit bureau reports while any of the Obligations are outstanding.

3.23. Employee Benefit Plans.

(a) Definitions.

"Employee Benefit Plan" means any group health insurance, group life insurance, medical, §401(k), profit sharing, defined benefit, pension, cafeteria, SIMPLE, SEP, Borrower-sponsored IRA or any other employee benefit plan sponsored by the Borrower, including without limitation any program, arrangement or plan within the meaning of Section 3(3) of ERISA.

"Borrower." For purposes of this Section 3.23, the term "Borrower" shall include all employers (whether or not incorporated) which by reason of common control or otherwise are treated together with Borrower as a single employer within the meaning of the Internal Revenue Code ("Code"), including without limitation under Code Sections 414(b), (c), (m), (n) or (o).

(b) Employee Benefit Plans Comply With ERISA and Code. For every Employee Benefit Plan (i) the Employee Benefit Plan is in compliance with ERISA and the Code, (ii) no accumulated funding deficiency within the meaning of ERISA or the Code has been incurred, and (iii) neither Borrower nor any other party has applied for or obtained a waiver from the Internal Revenue Service of any minimum funding requirement. Each Employee Benefit Plan intended to be qualified under the Code has been determined to be qualified by the Internal Revenue Service and nothing has occurred since the date of the last determination which resulted or is likely to result in the revocation of the determination.

(c) No PBGC or Withdrawal Liability. Borrower has not incurred any liability to the Pension Benefit Guaranty Corporation ("PBGC") in connection with any Employee Benefit Plan or ceased operations at any facility or withdrawn from any Employee Benefit Plan in a manner which could give rise to liability under ERISA. For example and without limitation, no Employee Benefit Plan has been a plan for which a "reportable event," within the meaning of Section 4043 of ERISA, has occurred, or to the knowledge of Borrower, has been a plan for which any liability to the PBGC has been or is expected to be incurred. Borrower has not incurred any withdrawal liability (including any contingent or secondary withdrawal liability) within the meaning of ERISA to any Employee Benefit Plan which is a multiemployer plan (as defined by ERISA), and no event has occurred, and there exists no condition or set of circumstances, which presents a material risk of the occurrence of any withdrawal from or the partition, termination, reorganization or insolvency of any multiemployer plan which could result in any liability with respect to a multiemployer plan. Borrower has not been notified by the sponsor of any multiemployer plan that the multiemployer plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and operations have not ceased at any facility which would subject Borrower to the provisions of Section 4062(e) of ERISA. No proceeding has been instituted on behalf of any multiemployer plan against Borrower to enforce Section 515 of ERISA.

(d) No Tax or Other Liability. Borrower has no liability for any Employee Benefit Plan for any lien, tax, penalty or excise tax under ERISA or the Code. Other than claims for benefits submitted by participants or beneficiaries, no claim, lawsuit or cause of action against or proceeding involving any Employee Benefit Plan is pending or, to Borrower's knowledge, threatened by any party. Except to the extent required under Section 601 *et seq.* of ERISA and Section 4980B of the Code, Borrower provides no benefits described in Section 3(1) of ERISA to any retired or former employee or is obligated to provide benefits to or on behalf of any employee following the employee's retirement or other termination of service with Borrower.

(e) No Prohibited Transactions. No transaction relating to any Employee Benefit Plan proscribed by Section 406 of ERISA ("Prohibited Transaction") has occurred for which an exemption is not expressly available and applicable under ERISA. Furthermore, to the extent within the knowledge or control of the Borrower, neither the execution and delivery of this Security Agreement, the acquisition of the Promissory Note by Secured Party or its Assigns, nor the consummation of any other transaction contemplated by this

Security Agreement constitutes or will constitute a Prohibited Transaction with respect to any Employee Benefit Plan for which an exemption is not expressly available and applicable under ERISA.

(f) All Employee Benefit Plans Funded and Currently In Compliance. Borrower has performed all of Borrower's obligations under all Employee Benefit Plans. Full and timely payment has been made of all amounts which Borrower is required, under applicable law or under any Employee Benefit Plan or any other agreement to which Borrower is a party, to have paid for each Employee Benefit Plan. Borrower has made adequate provision for reserves for all obligations and liabilities under each Employee Benefit Plan that have accrued but are not yet due under the terms of any Employee Benefit Plan or related agreements.

(g) Transaction Will Not Trigger Benefits. The execution and delivery of this Security Agreement, and the consummation of the transactions contemplated by this Security Agreement, will not (i) result in any payment by Borrower (including, without limitation, severance, unemployment compensation, parachute payment, bonus or otherwise) becoming due to any director, employee, or independent contractor of Borrower under any Employee Benefit Plan, agreement or otherwise, (ii) increase any benefits otherwise payable under any Employee Benefit Plan or agreement, or (iii) increase or create any liability referred to in either Section 3.23(b) or 3.23(c) above.

3.24. Taxes. The Borrower and each of its Affiliates and each entity which might have tax liabilities for which the Borrower or any of its Affiliates is or may be liable, has filed all tax returns and paid all taxes required by law to be filed or paid, which have become due pursuant to said returns (or which to the knowledge of the Borrower are due and payable) and on all assessments received by the Borrower, such Affiliate or such entity, as the case may be. No extensions of the time for the assessment of deficiencies have been granted by the Borrower or any of its Affiliates. There are no material Liens on any properties or assets of the Borrower or any of its Affiliates imposed or arising as a result of the delinquent payment or the nonpayment of any tax, assessment, fee or other governmental charge. The income tax returns of the Borrower and its Affiliates have been examined and reported upon by the relevant tax authorities, or closed by applicable statutes of limitations, for all fiscal years through the fiscal year ended September 30, 1999, and neither the Borrower nor any of its Affiliates nor any such entity has given or consented to any waiver of the statute of limitations with respect to its tax liabilities for any such year. Adequate provision has also been made for all other taxes (whether past, current or deferred, federal, provincial, local or foreign, due or to come due) on such balance sheet, and the Borrower knows of no transaction or matter which might or could result in additional tax assessments to the Borrower or any of its Affiliates in the ordinary course since the date of such balance sheet. There are no applicable taxes, fees or other governmental charges payable by the Borrower or any of its Affiliates in connection with the execution and delivery of this Security Agreement, and the other Loan Documents by the Borrower or any of its Affiliates or the offer, issuance, sale and delivery of the Promissory Note by the Borrower.

3.25. Property Leases. The Borrower, if a tenant or subtenant under a lease or sublease of the Property, shall not terminate any such lease or sublease, and the Borrower has no knowledge of any claim of (or basis for any claim of) any such termination. The Borrower agrees to exercise and fully comply with the terms of all renewal options provided for in such lease or sublease, and to promptly notify the Secured Party of any adverse development with regard to the threat of nonrenewal or termination of such lease or sublease.

3.26. Further Security. The Borrower agrees to provide Secured Party with not less than thirty (30) days prior written notice of Borrower's acquisition of any estate, right, title or interest in any real property. The Borrower further agrees with regard to any such acquisition, and at the Borrower's sole cost and expense, to obtain, procure, execute and deliver, file and affix such deeds of trust, leasehold deeds of trust, assignments of leases and rents, agreements, assignments, instruments, writings, powers (including powers of attorney), tax stamps and information, and to do or cause to be done all such further acts and things (including the execution, delivery and filing of fixture filings and UCC financing statements, payment of filing fees and transfer, gains and recording taxes) as the Secured Party may reasonably request, in its discretion.

ARTICLE IV

SPECIAL PROVISIONS CONCERNING INVENTORY, EQUIPMENT AND REAL PROPERTY

4. Special Provisions Concerning Inventory, Equipment and Real Property. The Borrower shall do nothing to impair the rights of the Secured Party in the Inventory and the Equipment and shall cause the Inventory and the Equipment to at all times be, constitute and remain personal property subject to the security interest granted to the Secured Party. Notwithstanding the preceding sentence, provided the Borrower is not in default under any of its Obligations (and no event which with the passage of time would be an Event of Default has occurred and is continuing), in the ordinary course of the Borrower's Business, (a) the Borrower may sell its Inventory, and (b) subject to sections 3.15 and 3.16 hereto, with the prior consent of the Secured Party, which will not be unreasonably withheld, the Borrower may, from time to time, refinance existing Permitted Liens in accordance with the terms thereof, replace its Equipment, acquire new Equipment and accessions to its Equipment, or acquire fee interest in (or ground lease of) any Property, subject to purchase money security interests; provided that, if the Secured Party has a leasehold mortgage or deed of trust on any lease of such Property, such lease remains in full force and effect, subject to the Secured Party's security interest and any Person with a lien on the fee interest in (or ground lease of) such Property provides the Secured Party with a nondisturbance agreement and such other assurances as the Secured Party shall reasonably request.

ARTICLE V

SPECIAL PROVISIONS CONCERNING INSURANCE AND CONDEMNATION PROCEEDS AND PROCEEDS

5. Special Provisions Concerning Insurance and Condemnation Proceeds and Proceeds.

5.1. Special Provisions Concerning Insurance and Condemnation Proceeds. Unless prohibited under the terms of the Property lease, if applicable, the Borrower hereby directs any and all transferors, distributors or payors (including insurance companies with whom the Borrower maintains insurance) to make payment of all Insurance and Condemnation Proceeds directly to the Secured Party and authorizes the Secured Party, in its sole discretion, to apply the same toward repayment of the Loans, whether or not due, or, toward replacement of the Collateral. Notwithstanding the terms of the Property lease, if applicable, the Borrower will use its best efforts and hereby assigns the Insurance and Condemnation Proceeds toward replacement of the Collateral and shall keep any lease or options to extend the lease in effect until the Loans are paid.

5.2. Special Provisions Concerning Proceeds. All Proceeds, whether received by the Secured Party or by the Borrower, or by any other Person will be included in the Collateral subject to the security interest granted to the Secured Party hereunder. Upon and during the continuation of an Event of Default, the Borrower shall (a) identify, earmark, segregate and keep separate all Proceeds received by it, (b) upon the Secured Party's request, promptly account to the Secured Party for all Proceeds, and (c) hold all Proceeds received by the Borrower in trust for the benefit of the Secured Party and shall promptly (and in any event not later than the fifth day after receipt) deliver (or cause to be delivered) the same to the Secured Party and into its possession in the form received by the Borrower and at a time and in a manner satisfactory to the Secured Party.

ARTICLE VI

SPECIAL PROVISION CONCERNING RIGHTS AND DUTIES WHILE IN POSSESSION OF COLLATERAL

6. Special Provision Concerning Rights and Duties While in Possession of Collateral.

6.1. Borrower's Possession. Upon and during the continuance of an Event of Default, to the extent the same shall, from time to time, be in the Borrower's possession, the Borrower will hold all securities, Instruments,

Chattel Paper, Documents, certificates and money and other writings evidencing or relating to the Collateral in trust for the Secured Party and, upon request or as otherwise provided herein, promptly deliver the same to the Secured Party in a form received and at a time and in a manner satisfactory to the Secured Party. With respect to the Collateral in the Borrower's possession the Borrower shall at the Secured Party's request take such action as the Secured Party in its discretion deems necessary or desirable to create, perfect and protect the Secured Party's security interest in any of the Collateral.

6.2. Secured Party's Possession. With respect to all of the Collateral delivered or transferred to, or otherwise in the custody or control of (including any items in transit to or set apart for) the Secured Party or any of its agents, associates or correspondence in accordance with this Security Agreement, the Borrower agrees that: (a) such Collateral will be, and is deemed to be in the sole possession of the Secured Party; (b) subject to Section 4, the Borrower has no right to withdraw or substitute any such Collateral without the consent of the Secured Party, which consent may be withheld or delayed in the Secured Party's sole discretion; (c) the Borrower shall not take or permit any action, or exercise any voting and other rights, powers and privileges in respect of the Collateral inconsistent with the Secured Party's sole possession thereof; and (d) the Secured Party may in its sole discretion and without notice, without obligation or liability except to account for property actually received by it, and without affecting or discharging the Obligations, (i) further transfer and segregate the Collateral in its possession; (ii) receive Proceeds and hold the same as part of the Collateral and/or apply the same as hereinafter provided; and (iii) exchange any of the Collateral for other property upon reorganization, recapitalization or other readjustment. Following the occurrence of an Event of Default, the Secured Party is authorized (A) to exercise or cause its nominee to exercise all or any rights, powers and privileges (including to vote) on or with respect to the Collateral with the same force and effect as an absolute owner thereof; (B) whether any of the Obligations be due, in its name or in the Borrower's name or otherwise, to demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for, or make any compromise or settlement the Secured Party deems desirable with respect to, any of the Collateral; and (C) to extend the time of payment, arrange for payment in installments, or otherwise modify the terms of, or release, any of the Collateral. Notwithstanding the rights accorded the Secured Party with respect to the Collateral and except to the extent provided below or required by the UCC or other applicable law (which requirement cannot be modified, waived or excused), the Secured Party's sole duty with respect to the Collateral in its possession (with respect to custody, preservation, safekeeping or otherwise) will be to deal with it in the same manner that the Secured Party deals with similar property owned and possessed by it. Without limiting the foregoing, the Secured Party, and any of its officers, directors, partners, trustees, owners, employees and agents, to the extent permitted by law (1) will have no duty with respect to the Collateral or the rights granted hereunder; (2) will not be required to sell, invest, substitute, replace or otherwise dispose of the Collateral; (3) will not be required to take any steps necessary to preserve any rights against prior parties to any of the Collateral; (4) will not be liable for (or deemed to have made an election of or exercised any right or remedy on account of) any delay or failure to demand, collect or realize upon any of the Collateral; and (5) will have no obligation or liability in connection with the Collateral or arising under this Security Agreement. The Borrower agrees that such standard of care is reasonable and appropriate under the circumstances.

ARTICLE VII

EVENTS OF DEFAULT

7. Events of Default. The happening of any one or more of the following events shall constitute an "Event of Default" hereunder:

(a) the Borrower shall fail to make any payment under this Security Agreement, the Promissory Note or any Loan Document when the same becomes due and payable and such failure shall continue for five (5) Business Days after the Secured Party provides notice to the Borrower of such failure; or

(b) the Borrower shall default under, fail to perform or observe any covenant or condition of or agreement in, or breach, or make a material inaccuracy in or omission from, any representation or warranty under or in, this Security Agreement, the Promissory Note, any other Loan Document, the Franchise Agreement or the License, any financial or other statement delivered to the Secured Party or any agreement, instrument or obligation in connection with any Permitted Lien, and such default, failure, breach, inaccuracy

or omission shall continue unremedied for the earliest of (i) fifteen (15) days following the date that notice of such default, failure, breach, inaccuracy or omission is given to the Borrower by the Secured Party, (ii) fifteen (15) days following the date that the Borrower first obtains knowledge of such default, failure, breach, inaccuracy or omission, or (iii) in the case of any Permitted Lien, the occurrence of such event (or, if there exists an applicable cure period, the expiration of such cure period); or

(c) if the Borrower is a party to a Franchise Agreement as of the execution of this Security Agreement and the Borrower or other party to such Franchise Agreement shall terminate or not renew such Franchise Agreement; or

(d) any of the Borrower's Affiliates listed on Schedule 3 shall fail to make any payment when due under, or default under, fail to perform or observe any covenant of or condition or agreement in breach of, or make any material inaccuracy in or omission from any representation and warranty under, any security agreement with the Secured Party or note held by the Secured Party or any other loan document with the Secured Party or in any other agreement, instrument, document or certificate, or financial or other statement delivered to the Secured Party, and such failure, default or breach continues beyond any applicable grace period provided therein; or

(e) the Borrower or any Affiliate Guarantor or any partnership in which the Borrower is a partner (each hereinafter called a "Principal Party") shall die, dissolve, merge or consolidate, suspend the transaction of business or incur any material adverse change in its financial condition or prospects; or

(f) the Borrower or any other Principal Party shall be expelled from or suspended by any stock or securities exchange or other exchange, or any proceeding, procedure or remedy supplementary to or in enforcement of judgment (involving an amount in excess of \$20,000 in the aggregate) shall be resorted to or commenced against, or with respect to any property of, the Borrower or any other Principal Party; or

(g) the Borrower or any other Principal Party shall make an assignment for the benefit of, or composition with, creditors, or shall be or become insolvent or unable, or generally fail, to pay its debts when due, or shall be or become a party or subject to any bankruptcy, reorganization, insolvency or other similar proceeding, or a receiver or liquidator, custodian or trustee shall be appointed for the Borrower or any other liable party, or a substantial portion of any of the Borrower's or their respective assets and, if any of the foregoing shall occur involuntarily as to the Borrower and any other Principal Party, it shall not be dismissed with prejudice, stayed or discharged within forty-five (45) days; or

(h) the Borrower or any other Principal Party shall take any action to effect, or which indicates its acquiescence in, any of (e), (f) or (g), above; or

(i) the Borrower defaults under any other loan or note to any other lender; or

(j) notwithstanding the foregoing, if a notice of default is given to the Borrower under the lease, (if any) of the Property and such default is not cured within three (3) days from the date of such notice.

ARTICLE VIII

REMEDIES UPON OCCURRENCE OF EVENT OF DEFAULT

8. Remedies Upon Occurrence of Event of Default.

8.1. Cumulative Rights and Remedies. Upon the occurrence of an Event of Default, the Secured Party shall have the rights, powers and remedies (a) granted to secured parties under the UCC; (b) granted to the Secured Party under any other applicable statute, law, rule or regulation; and (c) granted to the Secured Party under this Security Agreement, the Promissory Note or any other Loan Document or any other agreement between the Borrower and the Secured Party. In addition, all such rights, powers and remedies shall be cumulative and not alternative. Any

single or partial exercise of, or forbearance, failure or delay in exercising any right, power or remedy shall not be, nor shall any such single or partial exercise of, or forbearance, failure or delay be deemed to be a limitation, modification or waiver or any right, power or remedy and shall not preclude the further exercise thereof; and every right power and remedy of the Secured Party shall continue in full force and effect until such right, power and remedy is specifically waived by an instrument in writing executed and delivered with respect to each such waiver by the Secured Party.

8.2. Acceleration of Obligations. Upon the occurrence of an Event of Default, and at any time thereafter if any Event of Default shall then be continuing, the Secured Party may, from time to time in its discretion, by written notice to the Borrower declare the Promissory Note (including any Make Whole Premium required to be paid upon prepayment of any Loan) and any other Obligations to be immediately due and payable whereupon (and, automatically without any notice, demand or other action by the Secured Party, upon the occurrence of any Event of Default set forth in subsections (e) through (h) of Section 7) such principal, interest and other Obligations shall be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower to the maximum extent permitted by law.

8.3. Additional Rights of the Secured Party. Upon the occurrence of an Event of Default, the Secured Party may, from time to time, in its discretion, and without the Borrower's assent, without advertisements or notices of any kind (except for the notice specified in Section 8.5 below regarding notice required in connection with a public or private sale), or demand of performance or other demand, or obligation or liability (except to account for amounts actually received) to or upon the Borrower or any other person (all such advertisements, notices and demands, obligations and liabilities, if any, hereby being expressly waived and discharged to the extent permitted by law), forthwith, directly or through its agents or representatives, (a) disclose such default and other matters (including the name, address and telephone number of the Borrower) in connection therewith in the Secured Party's reasonable discretion to any other Program Borrower, the Borrower's franchisor or franchisee and other creditors or obligors of the Borrower (and the Borrower understands that the Secured Party intends to make such disclosure, from time to time); (b) to the extent permitted by applicable law enter any premises, with or without the assistance of other persons or legal process; (c) require the Borrower to account for (including accounting for any products and proceeds of any Collateral), segregate, assemble, make available and deliver to the Secured Party, its agents or representatives, the Collateral; (d) take possession of, operate, render unusable, collect, transfer and receive, recover, appropriate, foreclose, extend payment of, adjust, compromise, settle, release any claims included in, and do all other acts or things necessary or, in the Secured Party's sole discretion appropriate, to protect, maintain, preserve and realize upon, the Collateral and any products and proceeds thereof, in whole or in part; and (e) exercise all rights, powers and interests with respect to any and all Collateral, and sell, assign, lease, license, pledge, transfer, negotiate (including endorse checks, drafts, orders, or instruments), deliver or otherwise dispose (by contract, option(s) or otherwise) of the Collateral or any part thereof. Any such disposition may be in one or more public or private sales, at or upon an exchange, board or system or in the county(ies), in the state(s) set forth on Schedule I or elsewhere, at such price, for cash or credit (or for future delivery without credit risk) and upon such other terms and conditions as it deems appropriate, with the right of the Secured Party to the extent permitted by law upon any cash sale or sales, public or private, to purchase the whole or any part of said Collateral, free of any right, claim or equity of redemption of or in the Borrower (such rights, claims and equity or redemption, if any, hereby being expressly waived). Notwithstanding that the Secured Party, whether in its own behalf and/or on behalf of another or others, may continue to hold the Collateral and regardless of the value thereof, or any delay or failure to dispose thereof, unless and then only to the extent that the Secured Party proposes to retain the Collateral in satisfaction of the Obligations by written notice in accordance with the UCC, the Borrower shall be and remain liable for the payment in full of any balance of the Obligations and expenses at any time unpaid. Without limiting the foregoing, upon the Borrower's failure to abide by and comply with its obligations under Section 3 (including Sections 3.9, 3.10 or 3.18) or Section 13 hereof, in addition to its other rights and remedies, the Secured Party may (but is not required to), in its sole discretion and to the extent it deems necessary, advisable or appropriate, take or cause to be taken such actions or things to be done (including the payment or advancement of funds, or requiring advancement of funds to be held by the Secured Party to fund such obligations, including taxes or insurance) as may be required hereby (or necessary or desirable in connection herewith) to correct such failure (including causing the Collateral to be maintained or insurance protection required hereby to be procured and maintained) and any and all costs and expenses incurred (including attorney's fees and disbursements) in connection therewith shall be included in the Borrower's Obligations and shall be immediately due and payable and bear interest at the Default Rate.

8.4. Application of Proceeds. The Secured Party may apply the net proceeds, if any, of any collection, receipt, recovery, appropriation, foreclosure or realization, or from any use, operation, sale, assignment, lease, pledge, transfer, delivery or disposition of all or any of the Collateral, after deducting all reasonable costs and expenses (including attorneys fees, court costs and legal expenses) incurred in connection therewith or with respect to the care, safekeeping, custody, maintenance, protection, administration or otherwise of any and all of said Collateral or in any way relating to the rights of the Secured Party under this Security Agreement, (a) first, to the satisfaction of the Obligations, in whole or in part, in such order as the Secured Party may, in its discretion, elect; (b) second, to the payment, satisfaction or discharge of any of other Indebtedness or obligation as required by any law, rule or regulation; and (c) lastly, the surplus, if any, to the Borrower.

8.5. Required Notice of Sale. In exercising its rights, powers and remedies as secured party, the Secured Party agrees to give the Borrower five (5) days notice of the time and place of any public sale of Collateral or of the time after which any private sale of Collateral may take place, unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market. The Borrower agrees that such period and notice is commercially reasonable under the circumstances.

8.6. Applicable Collateral. In furtherance and not in limitation of the foregoing, in no event shall the designation of all or any portion of the Collateral as "Applicable Collateral" restrict or limit the Secured Party in the exercise of its remedies under this Section 8. Such designation is intended solely for the purposes set forth in Section 14.2. All of the Collateral shall secure all of the Obligations. The Borrower expressly waives any right (a) to limit the Secured Party solely to the Applicable Collateral with respect to any Loan or (b) to require the Secured Party to proceed against the Applicable Collateral with respect to any Loan before proceeding against any other Collateral with respect to such Loan. The Borrower agrees that, upon the occurrence of an Event of Default, the Secured Party may proceed against the Collateral in satisfaction of any Obligation, in such manner and in such order as the Secured Party may determine in its sole and absolute discretion.

ARTICLE IX

POST-DEFAULT POWER OF ATTORNEY

9. Post-Default Power of Attorney. The Borrower hereby irrevocably constitutes and appoints, effective on and after the occurrence of an Event of Default, the Secured Party acting through any officer or agent thereof, with full power of substitution, as the Borrower's true and lawful attorney-in-fact with full irrevocable power and authority in the Borrower's place and stead and in the Borrower's name or in its own name, from time to time in the Secured Party's discretion, to receive, open and dispose of mail addressed to the Borrower, to take any and all action, to do all things, to execute, endorse, deliver and file any and all writings, documents, instruments, notices, statements (including financing statements, and writings to correct any error or ambiguity in any Loan Document), applications and registrations (including registrations and licenses for securities, Copyrights, Patents and Trademarks), checks, drafts, acceptances, money orders, or other evidence of payment or proceeds, which may be or become necessary or desirable in the sole discretion of the Secured Party to accomplish the terms, purposes and intent of this Security Agreement and the other Loan Documents, including the right to appear in and defend any action or proceeding brought with respect to the Collateral or Property, and to bring any action or proceeding, in the name and on behalf of the Borrower, which the Secured Party, in its discretion, deems necessary or desirable to protect its interest in the Collateral or Property. Said attorney or designee shall not be liable for any acts of commission or omission, nor for any error of judgment or mistake of fact or law, unless and then only to the extent that the same constitutes its gross negligence or willful misconduct. This power is coupled with an interest and is irrevocable. THIS POWER DOES NOT AND SHALL NOT BE CONSTRUED TO AUTHORIZE ANY CONFESSION OF JUDGMENT.

ARTICLE X

INDEMNIFICATION

10. Indemnification. The Borrower agrees to indemnify the Secured Party and hold the Secured Party harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits,

costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Secured Party in any way relating, in any way arising out of or in connection with this Security Agreement, the Loan Documents or the transactions contemplated hereby or thereby. Without limitation of the foregoing, the Borrower will reimburse the Secured Party for all expenses (including expenses for legal services of every kind) of, or incidental to, the negotiation of, entering into and enforcement of any of the provisions hereof and of any of the Obligations, and any actual or attempted sale, lease or other disposition of, and any exchange, enforcement, collection, compromise or settlement of any of the Collateral and receipt of the Proceeds thereof, and for the care of the Collateral and defending or asserting the rights and claims of the Secured Party in respect thereof, and for the care of the Collateral and defending or asserting the rights and claims of the Secured Party in respect thereof, by litigation or otherwise, including expense of insurance, and all such expenses shall be the Borrower's Obligations.

ARTICLE XI

OBLIGATIONS ABSOLUTE

11. Obligations Absolute. The Borrower's Obligations will be absolute, unconditional and irrevocable and will be paid or satisfied strictly in accordance with their respective terms under all circumstances whatsoever, including: (a) the invalidity or unenforceability of all or any of, or any part of, this Security Agreement, the Promissory Note or any other Loan Document, or any consent, waiver, amendment or modification thereof; (b) the existence of any claim, setoff, defense or other right which the Borrower may have at any time against the Secured Party, or any other Person, whether in connection with this Security Agreement, any other Loan Documents, the transactions contemplated hereby, thereby or otherwise all of which the Borrower hereby waives to the maximum extent permitted by law; or (c) the loss, theft, damage, destruction or unavailability of the Collateral to the Borrower for any reason whatsoever, it being understood and agreed that the Borrower retains all liability and responsibility with respect to the Collateral.

ARTICLE XII

ASSIGNMENT AND DISSEMINATION OF INFORMATION

12. Assignment and Dissemination of Information.

12.1. Assignment. This Security Agreement is freely assignable, in whole or in part, by the Secured Party and, to the extent of any such assignment, the Secured Party shall be fully discharged from all responsibility. The Borrower understands and agrees that the Secured Party intends to and may, from time to time, sell, pledge, grant a security interest in and collaterally assign, transfer and deliver or otherwise encumber or dispose of the Promissory Note, this Security Agreement and the other Loan Documents and its rights and powers hereunder and thereunder, in whole or in part, in connection with the Securitization or any other assignment or other disposition of the Promissory Note. The Borrower may not, in whole or in part, directly or indirectly, assign this Security Agreement or any Loan Document or its rights hereunder or thereunder or delegate its duties hereunder without, in each instance, the specific prior written consent of the Secured Party, which consent may be withheld or delayed in the Secured Party's sole discretion, and payment of the amounts required under and compliance with Section 13(b) of the Promissory Note. For purposes of this Security Agreement and the Promissory Note (including Section 13(b) of the Promissory Note), a change in control of the Borrower (whether by stock sale, issuance or otherwise) shall constitute an assignment hereof.

12.2. Dissemination of Information. If Secured Party determines at any time to sell, transfer or assign the Promissory Note, Security Agreement, or other Loan Documents, and any or all servicing rights with respect thereto, or to otherwise issue a Securitization involving the Loan Documents, Secured Party may forward to each purchaser, transferee, assignee, investor or their perspective successors in such Securitization or any rating agency rating such Securitization and each prospective investor, all documents and information which Secured Party now has or may hereafter acquire relating to the Loan Documents, the Borrower, any Guarantor and the Property, which shall have been furnished by Borrower or any Guarantor, as Secured Party determines necessary or desirable.

ARTICLE XIII

FURTHER ASSURANCE

13. Further Assurance. The Borrower agrees at any time and from time to time, at the Borrower's sole cost and expense, to obtain, procure, execute and deliver, file and affix such further agreements, bills of sale and assignments, instruments, documents, warehouse receipts, bills of lading, vouchers, invoices, notices, statements, writings, (including financing statements, and writings to correct any error or ambiguity in any Loan Document), powers (including stock and bond powers, and powers of attorney), tax stamps and information, and to do or cause to be done all such further acts and things (including the execution, delivery and filing of financing statements on Form UCC-1, payment of filing fees and transfer, gains and recording taxes) as the Secured Party may reasonably request, from time to time, in its discretion. Without limiting the foregoing, the Borrower authorizes the Secured Party to the extent permitted under the UCC to execute and file, or file without the Borrower's signature, any and all financing statements, amendments thereto and continuations thereof as the Secured Party deems necessary or appropriate and the Borrower shall pay and indemnify the Secured Party for and hold the Secured Party harmless from any and all costs and expenses in connection therewith. The Borrower agrees that it will promptly notify the Secured Party of and agree to correct any defect, error or omission in the contents of any of the Loan Documents or in the execution, delivery or acknowledgment thereof. The Borrower further agrees to execute, prior to or within three months following closing, a Form 4506 *Request for Copy or Transcript of Tax Form*, which form will be provided by Secured Party.

ARTICLE XIV

TERM, PARTIAL RELEASE AND REINSTATEMENT

14. Term, Partial Release and Reinstatement.

14.1. Term. This Security Agreement shall be immediately in full force and effect upon the Borrower's execution below, whether or not it is signed by the Secured Party. Upon indefeasible payment in full of the Obligations in accordance with the terms thereof, this Security Agreement and the security interest granted hereunder shall terminate and the Secured Party, at the Borrower's expense, will execute and deliver to the Borrower the proper instruments (including UCC termination statements) acknowledging the termination of such security interest, and will duly assign, transfer and deliver (without recourse, representation or warranty) such Collateral as may be in the Secured Party's possession, and not to be retained, sold, or otherwise applied or released pursuant to this Security Agreement, to the Borrower, except that the Borrower's obligations under Sections 10, 11, 13 and 15 shall survive indefinitely.

14.2. Partial Release. Upon the indefeasible payment in full of any Loan (including, without limitation, any Make Whole Premium or other amounts payable by the Borrower with respect to such Loan) in accordance with the provisions of the Promissory Note, the security interest hereunder with respect to the Applicable Collateral shall terminate, and the Secured Party, at the expense of the Borrower, will execute and deliver to the Borrower the proper instruments (including UCC partial release statements) acknowledging the termination of such security interest, and will duly assign, transfer and deliver (without recourse, representation or warranty) such of the Applicable Collateral as may be in the possession of the Secured Party and has not theretofore been sold or otherwise applied or released pursuant to this Security Agreement, to the Borrower, and shall take such other action as the Borrower may reasonably request to effectuate the foregoing.

14.3. Reinstatement. This Security Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any amount received by the Secured Party in respect of the Obligations is rescinded or must otherwise be restored or returned by the Secured Party upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Principal Party or upon the appointment of any intervenor or conservator of, or trustee or similar official for, the Borrower, any Principal Party or any substantial part of the Borrower's or any Principal Party's assets, or otherwise, all as though such payments had not been made.

ARTICLE XV
MISCELLANEOUS

15. Miscellaneous.

15.1. FINAL AGREEMENT; AMENDMENTS, CONSENTS, AUTHORIZATIONS. THIS SECURITY AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE BORROWER AND THE SECURED PARTY AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE BORROWER AND THE SECURED PARTY. THE BORROWER UNDERSTANDS AND AGREES THAT ORAL AGREEMENTS AND ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE. THE BORROWER ACKNOWLEDGES AND AGREES THERE ARE NO ORAL AGREEMENTS BETWEEN THE BORROWER AND THE SECURED PARTY. This Security Agreement and the Loan Documents represent the entire understanding of the Secured Party and the Borrower with respect to the transactions contemplated hereby and thereby. None of the terms or provisions of this Security Agreement or any other Loan Document may be waived, altered, modified, or amended except in each instance by a specific written instrument duly executed by the Secured Party. Without limiting the foregoing, no action or omission to act shall be deemed to be a consent, authorization, representation or agreement of the Secured Party, under the UCC or otherwise, unless, in each instance, the same is in a specific writing signed by the Secured Party. The inclusion of Proceeds in the Collateral does not and shall not be deemed to authorize the Borrower to sell, exchange or dispose of the Collateral or the Franchise Agreement or otherwise use the Collateral in any manner not otherwise specifically authorized herein.

15.2. Notices. All notices and other communications given pursuant to or in connection with this Security Agreement shall be in duly executed writing delivered to the parties at the addresses set forth below (or such other address as may be provided by one party in a notice to the other party):

If to the Secured Party:

AMRESKO COMMERCIAL FINANCE, INC.
412 E. ParkCenter Blvd.
Suite 300
Boise, Idaho 83706
Facsimile Number: (208) 333-2050

If to the Assignee of Secured Party:

NORWEST BANK MINNESOTA, N.A.
Sixth & Marquette
Minneapolis, MN 55479-0070
Facsimile Number: (612) 667-9825

If to the Borrower, to the Borrower's chief executive office (or residence), as represented by the Borrower herein.

Notice delivered in accordance with the foregoing shall be effective (a) when delivered, if delivered personally or by receipted-for telex, telecopier, or facsimile transmission, (b) two (2) days after being delivered in the United States (properly addressed and all fees paid) for overnight delivery service to a courier (such as Federal Express) which regularly provides such service and regularly obtains executed receipts evidencing delivery or (c) five (5) days after being deposited (properly addressed and stamped for first-class delivery) in a daily serviced United States mail box.

15.3. Reasonableness. If at any time the Borrower believes that the Secured Party has not acted reasonably in granting or withholding any approval or consent under the Promissory Note, this Security Agreement, or any other Loan Document or otherwise with respect to the Obligations, as to which approval or consent either the Secured Party has expressly agreed to act reasonably, or absent such agreement, a court of law having jurisdiction over the subject matter would require the Secured Party to act reasonably, then the Borrower's sole remedy shall be to seek injunctive relief or specific performance and no action for monetary damages or punitive damages shall in any event or under any circumstance be maintained by the Borrower against the Secured Party.

15.4. Recovery of Sums Required To Be Paid. The Secured Party shall have the right from time to time to take action to recover any sum or sums which constitute a part of the Obligations as the same become due, without regard to whether or not the balance of the Obligations shall be due, and without prejudice to the right of the Secured Party thereafter to bring an action of foreclosure, or any other action, for a default or defaults by the Borrower existing at the time such earlier action was commenced.

15.5. WAIVERS. THE BORROWER HEREBY MAKES AND ACKNOWLEDGES THAT IT MAKES ALL OF THE WAIVERS SET FORTH IN THIS SECURITY AGREEMENT, THE PROMISSORY NOTE AND THE OTHER LOAN DOCUMENTS KNOWINGLY, INTENTIONALLY, VOLUNTARILY, WITHOUT DURESS, AND ONLY AFTER EXTENSIVE CONSIDERATION OF THE RAMIFICATIONS OF SUCH WAIVERS WITH ITS ATTORNEY; THE BORROWER FURTHER ACKNOWLEDGES THAT SUCH WAIVERS ARE A MATERIAL INDUCEMENT TO THE SECURED PARTY TO MAKE THE LOANS TO THE BORROWER AND THAT THE SECURED PARTY WOULD NOT HAVE MADE THE LOANS WITHOUT SUCH WAIVERS; AND THE BORROWER HEREBY MAKES AND ACKNOWLEDGES THAT IT MAKES SUCH WAIVERS WITH RESPECT TO EACH OTHER LOAN IN THE PROGRAM.

15.6. WAIVER OF TRIAL BY JURY. THE BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, AND THE SECURED PARTY BY ITS ACCEPTANCE OF THE PROMISSORY NOTE AND THIS SECURITY AGREEMENT AND OTHER LOAN DOCUMENTS IRREVOCABLY AND UNCONDITIONALLY WAIVES, ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, SUIT OR COUNTERCLAIM ARISING IN CONNECTION WITH, OUT OF OR OTHERWISE RELATING TO THE PROMISSORY NOTE, THIS SECURITY AGREEMENT, OR ANY OTHER LOAN DOCUMENT OR THE OBLIGATIONS.

15.7. Relationship. The relationship of the Secured Party to the Borrower hereunder is strictly and solely that of secured lender on the one hand and borrower and guarantor on the other and nothing contained in the Promissory Note, this Security Agreement or any other Loan Document or otherwise in connection with the Obligations is intended to create, or shall in any event or under any circumstance be construed as creating, a partnership, joint venture, tenancy-in-common, joint tenancy or other relationship of any nature whatsoever between the Secured Party and the Borrower other than as secured lender on the one hand and borrower and guarantor on the other.

15.8. Time is of the Essence. For all payments to be made and all obligations to be performed under the Loan Documents, time is of the essence.

15.9. Governing Law; Binding Effect. THIS SECURITY AGREEMENT AND ALL LOAN DOCUMENTS ARE ENTERED INTO IN THE STATE OF IDAHO, SECURED PARTY'S CHIEF EXECUTIVE OFFICE AND PRINCIPAL PLACE OF BUSINESS IS LOCATED IN THE STATE OF IDAHO, AND ALL NOTICES AND SUMS PAYABLE UNDER THE LOAN DOCUMENTS RELATING TO THIS SECURITY AGREEMENT WILL BE SENT TO THE SECURED PARTY IN THE STATE OF IDAHO. BORROWER AND SECURED PARTY AGREE THAT THE VALIDITY, ENFORCEABILITY, CONSTRUCTION AND INTERPRETATION OF THIS SECURITY AGREEMENT, AND OF ALL TRANSACTIONS AND DOCUMENTS UNDER OR RELATING TO IT, WILL BE CONSTRUED, APPLIED, ENFORCED AND GOVERNED UNDER THE LAWS OF THE STATE OF IDAHO (WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW), PROVIDED HOWEVER, THAT WITH RESPECT TO THE CREATION, ATTACHMENT, PERFECTION, PRIORITY AND ENFORCEMENT OF ANY LIENS CREATED BY THIS SECURITY AGREEMENT, THE LAWS OF THE STATE WHERE THE APPLICABLE PROPERTY IS LOCATED SHALL APPLY. This Security Agreement shall be binding upon the Borrower, and the heirs, devisees, administrators, executives, personal representatives, successors, receivers, trustees, and (without limiting Section 12 hereof) assignees, including all successors in interest of the Borrower in and to all or any part of the Collateral, and shall inure to the benefit of the Secured Party, and the successors and assignees of the Secured Party.

15.10. Severability. Whenever possible this Security Agreement, the Promissory Note and each Loan Document and each provision hereof and thereof shall be interpreted in such manner as to be effective, valid and

enforceable under applicable law. If and to the extent that any such provision shall be held invalid and unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof or thereof, and any determination that the application of any provision hereof or thereof to any person or under any circumstance is illegal and unenforceable shall not affect the legality, validity and enforceability of such provision as it may be applied to any other person or in any other circumstance.

15.11. Headings Descriptive. The headings, titles and captions used herein are for convenience only and shall not affect the construction of this Security Agreement or any term or provision hereof.

15.12. Counterparts. This Security Agreement may be executed in a number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same agreement.

15.13. Acknowledgement. Borrower acknowledges that Secured Party's underwriting guidelines and standards are applied on a case by case basis and that waivers may be granted in any particular case (including in the case of any other Program Borrowers to be included in the Program with Borrower). Borrower further acknowledges that Secured Party's underwriting guidelines or standards may be modified at any time by Secured Party without notice to Borrower.

15.14. Attorneys Fees and Costs. Borrower agrees that upon the occurrence of an Event of Default, the Borrower shall pay all costs and expenses actually incurred by Secured Party (including without limitation attorney's fees and disbursements) incident to the enforcement, collection, protection or preservation of any right or claim of Secured Party under the Loan Documents, including any such fees or costs incurred in connection with any bankruptcy or insolvency proceeding of Borrower.

15.15. Loan Pool Flexibility. Secured Party shall have the right, at its sole and absolute discretion upon written notice to Borrower, to transfer (a "Transfer"), within eighteen (18) months from the effective date of this Security Agreement, all or any of the Loans and all Liens related to such Loans, from the Program to any other loan program formed by Secured Party. Upon the occurrence of a Transfer, the Loan Documents shall be automatically amended and reclassified to reflect the Transfer. Borrower shall execute all amendments or other documents Secured party deems necessary to effectuate a Transfer.

15.16. Public Announcement. Upon the closing of the Loans, Secured Party is authorized in its discretion to issue news releases and at its own expense to publish "tombstone ads" and other announcements in newspapers, trade journals and other appropriate media, containing information about the Loans as may be deemed noteworthy by Secured Party, including without limitation the legal and trade name of Borrower, the amount of the Loan and the name, nature and location of the Collateral.

15.17. Jurisdiction and Venue. The Borrower irrevocably (a) agrees that any suit, action or other legal proceeding arising out of or relating to the Loans, this Security Agreement, or the Loan Documents (including any amendments or modifications thereto), may be brought in a court of record in the State of Idaho or in the courts of the United States of America located in such state, (b) consents to the jurisdiction of each such court in any such suit, action or proceeding, and (c) waives any objection which it may have to the laying of venue of any such suit, action or proceeding in any of such courts and any claim that any such suit, action or proceeding has been brought in an inconvenient forum.

IN WITNESS WHEREOF, the Borrower has executed and entered into this Security Agreement and delivered it to the Secured Party on and as of the date set forth below. This document is executed under seal and intended to take effect as a sealed instrument.

Date: April 21, 2000

CONCEPT ACQUISITIONS, LLC,
a California limited liability company

By: *[Signature]*
Brad Gordon, President and Manager

(SEAL)

By: *[Signature]*
Steven Strauss, Chief Financial Officer and Manager

SECURED PARTY:

AMRESCO COMMERCIAL FINANCE, INC.,
a Nevada corporation

By: *[Signature]*
Dale Conder, Vice President

ADDRESS: 6345 Balboa Boulevard
Building 1, Suite 200
Encino, California 91316

STATE OF Florida)
) ss.
COUNTY OF Seminole)

On the 17th day of April, 2000, before me, Tammy Henderson personally appeared BRAD GORDON, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity as President and Manager of CONCEPT ACQUISITIONS, LLC, a California limited liability company, and that by his signature on the instrument the person or the entity upon behalf of which the person acted, executed the instrument.

FDL# 67635-077-57-323-0 Exp. 09/03/04

WITNESS my hand and official seal.

Signature *[Signature]*

My commission expires:

March 29, 2002



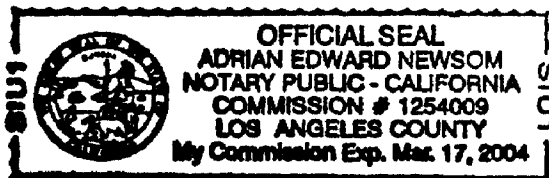
STATE OF California)
) ss.
COUNTY OF Los Angeles)

On the 15th day of April, 2000, before me, Adrian Edward Newsom ^{Notary} ~~personally known to me~~ _{public}, personally appeared STEVEN STRAUSS, ~~personally known to me~~ (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity as Chief Financial Officer and Manager of CONCEPT ACQUISITIONS, LLC, a California limited liability company, and that by his signature on the instrument the person or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature Adrian Edward Newsom

SEAL



My commission expires:

17 March 04

SCHEDULE 1

A. Borrower Information

The Borrower's legal name: Concept Acquisitions, LLC

Any other name used by Borrower in the last five (5) years: none

The address of Borrower's chief executive office:

Street : 6345 Balboa Boulevard, Building 1, Suite 200
City : Encino
County : Los Angeles
State : California
Zip : 91316

The Borrower's state of organization: California

The Borrower's federal taxpayer identification number: 95-4783154

SCHEDULE 1

B. Property Information

Legal name of the record owner of the Property	:	PS Business Parks, L.P.
Trade name of the record owner of the Property	:	none
Borrower's interest in the Property if not the Record Owner	:	Lessee
Street address of the Property	:	4212 N. Freeway Blvd., Suite 6 Sacramento, CA 95834
Legal description of the Property	:	not applicable

SCHEDULE 2

UCC Filing Locations

<u>State Located</u>	<u>State of Principal Business</u>	<u>State of Incorporation</u>	<u>City</u>	<u>County</u>	<u>State</u>
California	California	California	n/a	n/a	California

SCHEDULE 3

List of Borrower's Affiliates

List all Borrower's Affiliates who have executed loan documents to the Secured Party.

<u>Name of Affiliate</u>	<u>Address</u>	<u>Relationship to Borrower</u>
NONE	NONE	NONE

SCHEDULE 4

Applicable Collateral

Loan Number

Store Name

Address

NONE

NONE

NONE

SCHEDULE 5

Liquor Licenses

NONE

SCHEDULE 6

Trademarks

<u>Trademark</u>	<u>Registration No.</u>	<u>Date of Registration</u>
Mountain Mike's Pizza (words, letters, or numbers and design)	2004536	10/1/1996
Mountain Mike's (words, letters, or numbers and design)	1716963	9/15/1992
Mountain Mike's (words, letters, or numbers in typed form)	1716962	9/15/1992
Pizza The Way It Oughta Be (words, letters, or numbers in typed form)	2174312	7/21/1998

Exhibit A

LIEN LIST

Secured Party/ (Plaintiff)	Filing Location	Filing Number	Collateral	Action Required
James F. Mulvaney and Lawrence Kahan, Trustee under the Trust Indenture dated December 1, 1994, between Trustee, formerly known as Donald G. Johnson, Jr., as Trustee et al. (against Q & S Management, Mountain Mike's Pizza restaurants, Admiral's Fleet, Inc.)	SOS, CA	9508860162 [3/27/95]; Amendment #00034C0611 [2/1/00]; Continuation #00053C0145 [2/18/00]	Franchise Agreements	Obtain termination
Bank of Southern California (against Quality Franchise Systems, Inc.)	SOS, CA	9618060867 [6/26/96]; Amendment #96338C0784 [12/3/98]	Certificate of Deposit	Debt previously paid; need UCC Termination to be filed.
Fisher Thurber, Ltd. (against Quality Franchise Systems, Inc., successor in interest to Q & S Management, Inc., and Pizza Development Corp.)	Sacramento County, CA	Case No. 680587, Filing No. 95-12190584 [11/22/95]	Judgment	Debt previously paid; need Satisfaction of Judgment to be filed and recorded.

Exhibit B

Permitted Liens

[Subject to approval of the Secured Party]

Name of Secured Party or Lienor

\$ Amount

Collateral or Property Encumbered

NONE.

Exhibit C

**Form of
Compliance Certificate**

AMRESKO Commercial Finance, Inc.
412 E. ParkCenter Blvd.
Suite 300
Boise, Idaho 83706

Re: Pledge and Security Agreement, dated April 21, 2000, by the
Borrower in favor of AMRESKO Commercial Finance, Inc.
(the "Security Agreement").

The Borrower hereby certifies to the Secured Party (as defined in the Security Agreement) that (i) all representations and warranties made by the Borrower in the Security Agreement, as of the date hereof, are true and correct in all material respects as if made on the date hereof; (ii) the Borrower has performed all of its covenants and other Obligations (as defined in the Security Agreement) required to be performed under the Loan Documents (as defined in the Security Agreement) as of the date hereof; (iii) no Event of Default (as defined in the Security Agreement) has occurred and the Borrower has no reason to believe that an Event of Default will occur any time in the six-month period following the date hereof; (iv) all information provided regarding year-to-date revenues, as indicated below, is true, complete and correct; (v) attached hereto as Addendum 1 is a true, correct and complete list of all Franchise Agreements as of the date hereof, including the name, address and telephone number of all franchisees who are parties thereto, the name of the area developer (if any), and the commencement, registration, renewal and expiration dates thereof; (vi) attached hereto as Addendum 2 are true, correct and complete copies of all Franchise Agreements as of the date hereof (including any and all amendments or modifications thereto), copies of which have not been previously provided to Secured Party; and (vii) all information, reports, statements and financial and other data furnished by the Borrower to the Secured Party, its agents or representatives in connection with the Borrower's Loans and secured Obligations were, on the date so furnished, and are true, complete and correct.

IN WITNESS WHEREOF, the undersigned has caused this Compliance Certificate to be executed and delivered for and on behalf of the Borrower, this ____ day of _____, ____.

CONCEPT ACQUISITIONS, LLC,
a California limited liability company

By: _____
Brad Gordon, President and Manager

SEAL:

By: _____
Steven Strauss, Chief Financial Officer and Manager

Year-To-Date Franchise Royalties	Year-To-Date Initial Franchise Fees	Year-To-Date Transfer Fees	Year-To-Date Vendor Funds	Year-To-Date Area Development Fees	Year-To-Date Other Revenue	Year-To-Date Total Revenue

This FINANCING STATEMENT is presented for filing and will remain effective with certain exceptions for a period of five years from the date of filing pursuant to section 9403 of the California Uniform Commercial Code.

1. DEBTOR (LAST NAME FIRST-IF AN INDIVIDUAL) Concept Acquisitions, LLC		1A. SOCIAL SECURITY OR FEDERAL TAX NO. 95-4783154	
1B. MAILING ADDRESS 6345 Balboa Blvd., Bldg. 1, Suite 200		1C. CITY, STATE Encino, CA	
		1D. ZIP CODE 91316	
2. ADDITIONAL DEBTOR (IF ANY) (LAST NAME FIRST-IF AN INDIVIDUAL)		2A. SOCIAL SECURITY OR FEDERAL TAX NO.	
2B. MAILING ADDRESS		2C. CITY, STATE	
		2D. ZIP CODE	
3. DEBTOR'S TRADE NAME OR STYLES (IF ANY)		3A. FEDERAL TAX NUMBER	
4. SECURED PARTY NAME AMRESKO Commercial Finance, Inc. MAILING ADDRESS 412 East ParkCenter Boulevard, Suite 300 CITY Boise STATE ID ZIP CODE 83706		4A. SOCIAL SECURITY NO., FEDERAL TAX NO. OR BANK TRANSIT AND A.B.A. NO. 82-0460517	
5. ASSIGNEE OF SECURED PARTY (IF ANY) NAME Norwest Bank Minnesota, N. A., as custodian or trustee, MAILING ADDRESS Sixth Street & Marquette Avenue CITY Minneapolis STATE MN ZIP CODE 55479		5A. SOCIAL SECURITY NO., FEDERAL TAX NO. OR BANK TRANSIT AND A.B.A. NO. 41-1592157	

6 This FINANCING STATEMENT covers the following types or items of property (include description of real property on which located and owner of record when required by instruction 4).

See attached Exhibits "A" and "B" for collateral description.

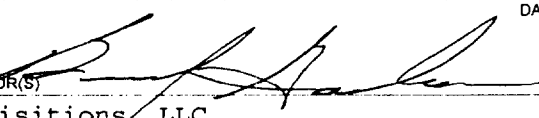
TO BE FILED WITH THE CALIFORNIA SECRETARY OF STATE.

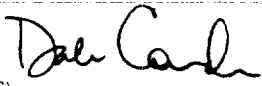
ACFI #5814

7. CHECK IF APPLICABLE 7A. PRODUCTS OF COLLATERAL ARE ALSO COVERED 7B. DEBTOR(S) SIGNATURE NOT REQUIRED IN ACCORDANCE WITH INSTRUCTION 5(a) ITEM (1) (2) (3) (4)

8. CHECK IF APPLICABLE DEBTOR IS A "TRANSMITTING UTILITY" IN ACCORDANCE WITH UCC § 9105 (n)

9. DATE: 4/14/00

SIGNATURE(S) OF DEBTOR(S)

Concept Acquisitions, LLC
By: Brad Gordon, President and Manager
TYPE OR PRINT NAME(S) OF DEBTOR(S)

SIGNATURE(S) OF SECURED PARTY(IES)

AMRESKO Commercial Finance, Inc.
By: Dale Conder, Vice President
TYPE OR PRINT NAME(S) OF SECURED PARTY(IES)

10. THIS SPACE FOR USE OF FILING OFFICER (DATE, TIME, FILE NUMBER AND FILING OFFICER)

C
O
D
E

1
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11. Return copy to:

NAME
ADDRESS
CITY
STATE
ZIP CODE

FORM UCC1- Approved by the Secretary of State



EXHIBIT "A"
to
UCC Financing Statement

COLLATERAL DESCRIPTION

All of Debtor's right, title and interest in and to all Goods, Accounts, Deposit Accounts, Documents, Chattel Paper, Instruments, Inventory, Equipment, General Intangibles (including, without limitation, the franchising rights of Mountain Mike's Pizza restaurants, trade names, and those trademarks shown on Exhibit "B" attached hereto), Contracts (including, without limitation, Franchise Agreements [and income, revenue and royalties generated therefrom] and Licenses), Liquor Licenses, certificates of title, fixtures, money, securities, deposits, credits, claims, demands, assets, furniture and other personal property, whether now owned, existing, or hereafter acquired, held or used by Debtor; and any other property, rights and interests of the Debtor which at any time relate to, arise out of or in connection with the foregoing, or which shall come into the possession or custody or under the control of the Secured Party or any of its agents, representatives, associates or correspondents, in connection with the foregoing; any and all additions, accessions, replacements, substitutions and improvements of or to all the foregoing; and all products, rents, profits, offspring and Proceeds thereof.

EXHIBIT "B"
to
UCC Financing Statement

TRADEMARKS

<u>Trademark</u>	<u>Registration No.</u>	<u>Date of Registration</u>
Mountain Mike's Pizza (words, letters, or numbers and design)	2004536	10/1/1996
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