

02-01-2002

Attorney Docket No. 22823-002



101967453

FORM PTO-1594 (Modified)
(Rev. 6-93)
OMB No. 0651-0011 (exp. 4/94)

RE

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office

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

1. Name of conveying party(ies):

E-MED SOLUTIONS, Inc.

10-22-01

- Individual(s)
- General Partnership
- Corporation -
- Other - Security Agreement
- Association
- Change of Name

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

3. Nature of conveyance:

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

Execution Date: June 28, 2001

2. Name and address of receiving party(ies)

HSS, Inc.

Internal Address: 2321 Whitney Avenue
Hamden, CT 06518

- Association
- General Partnership
- Limited Partnership
- Corporation -
- Other - LLC, State of New York

If assignee is not domiciled in the United States, a domestic Designation is Yes No
(Designations must be a separate document form)

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

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

A. Trademark Application No.(s)

~~75/875660~~
75/875668
75/875656

B. Trademark Registration No.(s)

2,120,247
2,169,858
2,358,775

Additional numbers attached? Yes No

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

Name: Thomas M. Sullivan, Esq.
Address: MINTZ, LEVIN, COHN, FERRIS
GLOVSKY and POPEO, P.C.
One Financial Center
Boston, MA 02111

6. Total number of applications and trademarks involved: [3]

7. Total fee (37 CFR 3.41).....\$165.00

Enclosed

Should the amount of the enclosed fee be insufficient, the Commissioner is hereby authorized to charge the balance due to the deposit account of the undersigned.

8. Deposit Account No: 50-0311; Ref. No. 22823-002

DO NOT USE THIS SPACE

9. Statement and signature

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

Thomas M. Sullivan, Esq. (Reg. No. 39,392)

Thomas M. Sullivan

10/22/01

Name of Person Signing

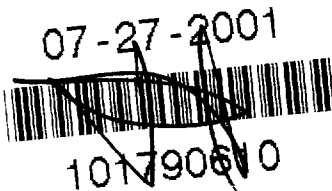
Signature

Date

Total number of pages including cover sheet, attachments, and document: [23]

Mail to: Box ASSIGNMENT
Commissioner of Patents and Trademarks
Washington, D.C. 20231

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E-MED SOLUTIONS, Inc. *07/17/01*

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 General Partnership Change of Name
 Corporation -
 Other - Security Agreement

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 Limited Partnership
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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.

Thomas M. Sullivan, Esq.

July 17, 2001

Name of Person Signing

Signature

Date

Total number of pages including cover sheet, attachments, and document: [3]

Mail to: Box ASSIGNMENT
Commissioner of Patents and Trademarks
Washington, D.C. 20231

07/26/2001 LMUELLER 00000177 75875660

01 FC:481
02 FC:482

40.00 OP
125.00 OP

TRA 1541987v1

SECURITY AGREEMENT

This SECURITY AGREEMENT (this "Agreement") is dated as of June 28, 2001 by and between E-MED SOLUTIONS, INC., a corporation duly organized and validly existing under the laws of the State of California (the "Company" or the "Obligor") and HSS, INC., a corporation duly organized and validly existing under the laws of the State of Connecticut (the "Lender").

WHEREAS, the Company has executed a Secured Bridge Note, dated as of even date herewith (the "Initial Bridge Note"), promising to pay Lender the Principal Amount (as defined in the Initial Bridge Note), plus interest accrued thereon, all on the terms and conditions described therein; and

WHEREAS, the Company may execute one additional Secured Bridge Note (the "Additional Bridge Note" and, together with the Initial Bridge Note, the "Bridge Notes"), if agreed to by the parties, promising to pay Lender the Principal Amount (as defined in the Additional Bridge Note), plus interest accrued thereon, all on the terms and conditions described therein; and

WHEREAS, to induce Lender to accept the Bridge Notes in return for the loans described therein, the Obligor has agreed to pledge and grant a security interest in the Collateral (as hereinafter defined) as security for the Secured Obligations (as hereinafter defined).

NOW, THEREFORE, in consideration of the covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as follows:

Section 1. Definitions. Terms defined in the Bridge Notes are used herein as defined therein. In addition, as used herein:

"Accounts" shall mean all accounts and general intangibles (each as defined in the Uniform Commercial Code) of the Obligor constituting any right to the payment of money, including (but not limited to) all moneys due and to become due to the Obligor in respect of any loans or advances or for Inventory or Equipment or other goods sold or leased or for services rendered, all moneys due and to become due to the Obligor under any guarantee (including a letter of credit) of the purchase price of Inventory or Equipment sold by the Obligor and all tax refunds.

"Collateral" shall have the meaning ascribed thereto in Section 3 hereof.

"Copyright Collateral" shall mean all Copyrights, whether now owned or hereafter acquired by the Obligor.

"Copyrights" shall mean all copyrights, copyright registrations and applications for copyright registrations, including, without limitation, all renewals and extensions thereof, the right to recover for all past, present and future infringements thereof, and all other rights of any kind whatsoever accruing thereunder or pertaining thereto.

“Documents” shall mean all documents of title (as defined in the Uniform Commercial Code) or other receipts of the Obligor covering, evidencing or representing Inventory or Equipment.

“Equipment” shall mean all equipment (as defined in the Uniform Commercial Code) of the Obligor.

“Instruments” shall mean all instruments, chattel paper or letters of credit (each as defined in the Uniform Commercial Code) of the Obligor evidencing, representing, arising from or existing in respect of, relating to, securing or otherwise supporting the payment of, any of the Accounts, including (but not limited to) promissory notes, drafts, bills of exchange and trade acceptances.

“Intellectual Property” shall mean, collectively, all Copyright Collateral, all Patent Collateral and all Trademark Collateral, together with (a) all inventions, software, processes, production methods, proprietary information, know-how and trade secrets; (b) all licenses or user or other agreements granted to the Obligor with respect to any of the foregoing, in each case whether now or hereafter owned or used including, without limitation, the licenses or other agreements with respect to the Copyright Collateral, the Patent Collateral or the Trademark Collateral, listed in Annexes 1, 2 and 3 hereto; (c) all information, customer lists, identification of suppliers, data, plans, blueprints, specifications, designs, drawings, samples, patterns, recorded knowledge, surveys, engineering reports, test reports, manuals, materials standards, processing standards, performance standards, catalogs, computer and automatic machinery software and programs; (d) all field repair data, sales data and other information relating to sales or service of products now or hereafter manufactured; (e) all accounting information and all media in which or on which any information or knowledge or data or records may be recorded or stored and all computer programs used for the compilation or printout of such information, knowledge, records or data; (f) all licenses, consents, permits, variances, certifications and approvals of governmental agencies now or hereafter held by the Obligor; and (g) all causes of action, claims and warranties now or hereafter owned or acquired by the Obligor in respect of any of the items listed above.

“Inventory” shall mean all inventory (as defined in the Uniform Commercial Code) of the Obligor, all goods obtained by the Obligor in exchange for such inventory, and any products made or processed from such inventory including all substances, if any, commingled therewith or added thereto.

“Patent Collateral” shall mean all Patents, whether now owned or hereafter acquired by the Obligor.

“Patents” shall mean all patents and patent applications, including, without limitation, the inventions and improvements described and claimed therein together with the reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, all income, royalties, damages and payments now or hereafter due and/or payable

under and with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, the right to sue for past, present and future infringements thereof, and all rights corresponding thereto throughout the world.

“Secured Obligations” shall mean, collectively, (a) the Principal Amount of and Interest payable by Borrower under the Initial Bridge Note; (b) the Principal Amount of and Interest payable by Borrower under any Additional Bridge Note; and (c) all obligations of the Obligor to the Lender hereunder.

“Trademark Collateral” shall mean all Trademarks, whether now owned or hereafter acquired by the Obligor. Notwithstanding the foregoing, the Trademark Collateral does not and shall not include any Trademark which would be rendered invalid, abandoned, void or unenforceable by reason of its being included as part of the Trademark Collateral.

“Trademarks” shall mean all trade names, trademarks and service marks, logos, trademark and service mark registrations, and applications for trademark and service mark registrations, including, without limitation, all renewals of trademark and service mark registrations, all rights corresponding thereto throughout the world, the right to recover for all past, present and future infringements thereof, all other rights of any kind whatsoever accruing thereunder or pertaining thereto, together, in each case, with the product lines and goodwill of the business connected with the use of, and symbolized by, each such trade name, trademark and service mark.

“Uniform Commercial Code” shall mean the Uniform Commercial Code as in effect from time to time in the State of Connecticut.

Section 2. Representations and Warranties. The Obligor represents and warrants to the Lender that:

(a) The Obligor is the sole beneficial owner of the Collateral in which it purports to grant a security interest pursuant to Section 3 hereof and no lien exists or will exist upon such Collateral at any time (and no right or option to acquire the same exists in favor of any other person), except for the lien and security interest for the benefit of the Lender created or provided for herein, which pledge and security interest constitute a first priority perfected pledge and security interest in and to all of such Collateral, and except as set forth on Schedule 2(a) attached hereto.

(b) Annexes 1, 2, and 3 hereto, respectively, set forth under the name of the Obligor a complete and correct list of all Copyrights, Patents and Trademarks owned by the Obligor on the date hereof; except pursuant to licenses and other user agreements entered into by the Obligor in the ordinary course of business, which are listed in Annex 4 hereto, the Obligor owns and possesses the right to use, and has done nothing to authorize or enable any other Person to use, any Copyright, Patent or Trademark listed in said Annexes 1, 2, and 3, and all registrations listed in said Annexes 1, 2, and 3 are valid

and in full force and effect; and the Obligor owns and possesses the right to use all Copyrights, Patents and Trademarks.

(c) Annex 4 hereto sets forth a complete and correct list of all licenses and other user agreements included in the Intellectual Property on the date hereof.

(d) To the Obligor's knowledge, (i) there is no violation by others of any right of the Obligor with respect to any Copyright, Patent or Trademark listed in Annexes 1, 2, and 3 hereto, respectively, under the name of the Obligor and (ii) the Obligor is not infringing in any respect upon any Copyright, Patent or Trademark of any other Person; and, except as set forth on Schedule 2(d) attached hereto, no proceedings have been instituted or are pending against the Obligor or, to the Obligor's knowledge, threatened, and no claim against the Obligor has been received by the Obligor, alleging any such violation.

(e) The Obligor does not own any Trademarks registered in the United States of America to which the last sentence of the definition of Trademark Collateral applies.

Section 3. Collateral. As collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations, the Obligor hereby pledges and grants to the Lender a first priority pledge and security interest in all of the Obligor's right, title and interest in the following property, whether now owned by the Obligor or hereafter acquired and whether now existing or hereafter coming into existence (all being collectively referred to herein as "Collateral"):

(a) all Accounts;

(b) all Instruments;

(c) all Inventory;

(d) all Intellectual Property and all other accounts or general intangibles not constituting Intellectual Property or Accounts;

(e) all Equipment;

(f) each contract and other agreement to which the Obligor is a party;

(g) all Documents;

(h) all rights, claims and benefits of the Obligor against any Person arising out of, relating to or in connection with Inventory or Equipment purchased by the Obligor, including, without limitation, any such rights, claims or benefits against any Person storing or transporting such Inventory or Equipment; and

(i) all other tangible and intangible personal property and fixtures of the Obligor, including, without limitation, all proceeds, products, offspring, accessions, rents, profits, income, benefits, substitutions and replacements of and to any of the property of the Obligor described in the preceding clauses of this Section 3 (including, without limitation, any proceeds of insurance thereon) and, to the extent related to any property described in said clauses or such proceeds, products and accessions, all books, correspondence, credit files, records, invoices and other papers, including without limitation all tapes, cards, computer runs and other papers and documents in the possession or under the control of the Obligor or any computer bureau or service company from time to time acting for the Obligor.

Section 4. Further Assurances; Remedies. In furtherance of the grant of the pledge and security interest pursuant to Section 3 hereof, the Obligor hereby agrees with the Lender as follows:

4.01 Delivery and Other Perfection. The Obligor shall:

(a) deliver and pledge to the Lender any and all Instruments, endorsed and/or accompanied by such instruments of assignment and transfer in such form and substance as the Lender may request; provided, that so long as no Event of Acceleration shall have occurred and be continuing as provided in Section 4 of the Bridge Notes, the Obligor may retain for collection in the ordinary course any Instruments received by the Obligor in the ordinary course of business and the Lender shall, promptly upon request of the Obligor, make appropriate arrangements for making any Instrument pledged by the Obligor available to the Obligor for purposes of presentation, collection or renewal (any such arrangement to be effected, to the extent deemed appropriate by the Lender, against trust receipt or like document);

(b) give, execute, deliver, file and/or record any financing statement, notice, instrument, document, agreement or other papers that may be necessary or desirable (in the reasonable judgment of the Lender) to create, preserve, perfect or validate the security interest granted pursuant hereto or to enable the Lender to exercise and enforce its rights hereunder with respect to such pledge and security interest, provided that notices to account debtors in respect of any Accounts or Instruments shall be subject to the provisions of clause (h) below;

(c) without limiting the obligations of the Obligor under Section 4.04(b) hereof, upon the acquisition after the date hereof by the Obligor of any Equipment covered by a certificate of title or ownership, cause the Lender to be listed as the lienholder on such certificate of title and within 120 days of the acquisition thereof deliver evidence of the same to the Lender;

(d) keep full and accurate books and records relating to the Collateral, and stamp or otherwise mark such books and records in such manner as the Lender may reasonably require in order to reflect the security interests granted by this Agreement;

(e) furnish to the Lender from time to time (but, unless an Event of Acceleration shall have occurred and be continuing, no more frequently than quarterly) statements and schedules further identifying and describing the Copyright Collateral, the Patent Collateral and the Trademark Collateral, respectively, and such other reports in connection with the Copyright Collateral, the Patent Collateral and the Trademark Collateral, as the Lender may reasonably request, all in reasonable detail;

(f) promptly upon request of the Lender, following receipt by the Lender of any statements, schedules or reports pursuant to clause (f) above, modify this Agreement by amending Annexes 1, 2, and 3 hereto, as the case may be, to include any Copyright, Patent or Trademark which becomes part of the Collateral under this Agreement;

(g) permit representatives of the Lender, upon reasonable notice, at any time during normal business hours to inspect and make abstracts from its books and records pertaining to the Collateral, and permit representatives of the Lender to be present at the Obligor's place of business to receive copies of all communications and remittances relating to the Collateral, and forward copies of any notices or communications received by the Obligor with respect to the Collateral, all in such manner as the Lender may reasonably require;

(h) upon the occurrence and during the continuance of any Event of Acceleration, upon request of the Lender, promptly notify (and the Obligor hereby authorizes the Lender so to notify) each account debtor in respect of any Accounts or Instruments that such Collateral has been assigned to the Lender hereunder, and that any payments due or to become due in respect of such Collateral are to be made directly to the Lender.

4.02 Other Financing Statements and Liens. The Obligor shall not file or suffer to be on file, or authorize or permit to be filed or to be on file, in any jurisdiction, any financing statement or like instrument with respect to the Collateral in which the Lender is not named as the sole secured party.

4.03 Covenants of Obligor. To protect the security afforded by this Agreement, the Obligor agrees as follows:

(a) the Obligor will perform and discharge each and every obligation, covenant, condition, duty and agreement to be performed by the Obligor so as to prevent the material impairment of the Collateral.

(b) without the written consent of the Lender, the Obligor will not (i) amend, modify, otherwise change, or terminate any agreement or obligation concerning the Collateral, or (ii) accept in advance of a scheduled due date any payments payable to it with respect to the Collateral, or (iii) sell, exchange, assign, loan, deliver, lease, mortgage, or otherwise dispose of any Collateral except that until the occurrence of a default hereunder, the Obligor shall have the right to sell such of the Collateral as is

inventory or is obsolete equipment with minimal cash value to the Obligor, but only in the ordinary course of the Obligor's business.

(c) at the Obligor's sole cost and expense, the Obligor will appear in and defend or, upon the written consent of the Lender, compromise or settle, any action or proceeding arising under, growing out of, or in any manner connected with the Collateral.

(d) the Obligor shall, at its expense, maintain the Collateral in good condition and state of repair and will pay and discharge when due all taxes, liens, and other impositions thereupon, as well as the cost of repairs to and maintenance of the same, and will not permit anything to be done that may impair the value thereof or the security interest granted to the Lender by this Agreement.

(e) the Obligor warrants that the Collateral will be held by it at its principal place of business at its address set forth on the signature page hereof. The Obligor further warrants that it will not change such principal place of business, change its name nor acquire any additional place of business without giving the Lender at least thirty (30) days' prior written notice thereof.

(f) the Obligor shall carry such insurance upon the Collateral and shall cause the policies to be endorsed so that all losses will be payable both to the Obligor and the Lender as their interests may from time to time appear, and it shall authorize the Lender to adjust any losses in connection therewith.

(g) the Obligor will take all reasonably necessary steps, including in all proceedings before the United States Patent and Trademark Office, the U.S. Copyright Office, or any similar office or agency in any state or any other country or any political subdivision thereof, to maintain and pursue all applications (and to obtain the relevant registrations) filed with respect to, and to maintain all registrations of, all of the Collateral related to patents, trademarks, and copyrights, including the filing of applications for renewal, declarations of use and incontestability, and opposition, interference, and cancellation proceedings.

(h) should the Obligor fail to make any payment, do any act, or refrain from any act that this Agreement requires the Obligor to make, do, or refrain from, respectively, then the Lender may, but shall have no obligation to (and shall not thereby release the Obligor from any obligation hereunder), make, do, or prevent the same, respectively, in such manner and to such extent as the Lender in its reasonable commercial judgment may deem necessary or advisable to protect the security provided hereby, which rights of the Lender shall specifically include, without limiting the Lender's general powers herein granted, the right to appear in and defend any action or proceeding purporting to affect the security hereof and the rights or powers of the Lender hereunder (or any of them), and also the right to perform and discharge each and every one, or any one or more, of the obligations, covenants, conditions, duties, and agreements of the Obligor concerning the Collateral; and in exercising any such powers, the Lender may pay necessary or advisable

costs and expenses, employ counsel, and incur and pay reasonable attorneys' fees, and the Obligor will reimburse the Lender for such reasonable costs, expenses, and fees together with interest at the default rate set forth in the Bridge Notes; provided that failure by the Obligor to pay such amounts with interest within fifteen (15) days from the date of demand therefor by the Lender shall constitute a default hereunder.

(i) the Lender shall not be required to take steps necessary to preserve any rights against prior parties to any of the Collateral.

4.04 Special Provisions Relating to Intellectual Property.

(a) For the purpose of enabling the Lender to exercise rights and remedies under Section 4.05 hereof at such time as the Lender shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, the Obligor hereby grants to the Lender, to the extent permitted pursuant to the terms thereof or applicable law, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Obligor) to use, license or sublicense any of the Intellectual Property now owned or hereafter acquired by the Obligor, wherever the same may be located, including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout thereof; provided, however, such license shall terminate in the event any and all obligations of the Obligor hereunder or under the Bridge Notes shall have been satisfied in full.

(b) Notwithstanding anything contained herein to the contrary, so long as no Event of Acceleration shall have occurred and be continuing, the Obligor will be permitted to exploit, use, enjoy, protect, license, sublicense, assign, sell, dispose of or take other actions with respect to the Intellectual Property in the ordinary course of the business of the Obligor. In furtherance of the foregoing, unless an Event of Acceleration shall have occurred and be continuing, the Lender shall from time to time, upon the request of the respective Obligor through the Company, execute and deliver any instruments, certificates or other documents, in the form so requested, which the Obligor shall have certified are appropriate (in their judgment) to allow it to take any action permitted above (including relinquishment of the license provided pursuant to clause (1) immediately above as to any specific Intellectual Property). Further, upon the payment in full of all of the Secured Obligations and cancellation or termination of all of the Obligor's obligations under this Agreement or release of the Collateral, the Lender shall grant back to the Obligor the license granted pursuant to clause (1) immediately above. The exercise of rights and remedies under Section 4.05 hereof by the Lender shall not terminate the rights of the holders of any licenses or sublicenses theretofore granted by the Obligor in accordance with the first sentence of this clause (2).

4.05 Events of Acceleration, Etc. During the period during which an Event of Acceleration shall have occurred and be continuing:

(a) the Obligor shall, at the request of the Lender, assemble the Collateral owned by it at such place or places, reasonably convenient to both the Lender and the Obligor, designated in its request;

(b) the Lender may make any reasonable compromise or settlement deemed desirable with respect to any of the Collateral and may extend the time of payment, arrange for payment in installments, or otherwise modify the terms of, any of the Collateral;

(c) the Lender shall have all of the rights and remedies with respect to the Collateral of a secured party under the Uniform Commercial Code (whether or not said Code is in effect in the jurisdiction where the rights and remedies are asserted) and such additional rights and remedies to which a secured party is entitled under the laws in effect in any jurisdiction where any rights and remedies hereunder may be asserted, including, without limitation, the right, to the maximum extent permitted by law, to exercise all voting, consensual and other powers of ownership pertaining to the Collateral as if the Lender were the sole and absolute owner thereof (and the Obligor agrees to take all such action as may be appropriate to give effect to such right);

(d) the Lender in its discretion may, in its name or in the name of the Obligor or otherwise, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for any of the Collateral, but shall be under no obligation to do so; and

(e) the Lender may, upon ten (10) business days' prior written notice to the Obligor of the time and place, with respect to the Collateral or any part thereof which shall then be or shall thereafter come into the possession, custody or control of the Lender, sell, lease, assign or otherwise dispose of all or any part of such Collateral, at such place or places as the Lender deems best, and for cash or for credit or for future delivery (without thereby assuming any credit risk), at public or private sale, without demand of performance or notice of intention to effect any such disposition or of the time or place thereof (except such notice as is required above or by applicable statute and cannot be waived), and the Lender or anyone else may be the purchaser, lessee, assignee or recipient of any or all of the Collateral so disposed of at any public sale (or, to the extent permitted by law, at any private sale) and thereafter hold the same absolutely, free from any claim or right of whatsoever kind, including any right or equity of redemption (statutory or otherwise), of the Obligor, any such demand, notice and right or equity being hereby expressly waived and released. In the event of any sale, assignment, or other disposition of any of the Trademark Collateral, the goodwill connected with and symbolized by the Trademark Collateral subject to such disposition shall be included, and the Obligor shall supply to the Lender or its designee, for inclusion in such sale,

assignment or other disposition, all Intellectual Property relating to such Trademark Collateral. The Lender may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the sale may be so adjourned.

The proceeds of each collection, sale or other disposition under this Section 4.05, including by virtue of the exercise of the license granted to the Lender in Section 4.04(b) hereof, shall be applied in accordance with Section 4.09 hereof.

4.06 Deficiency. If the proceeds of sale, collection or other realization of or upon the Collateral pursuant to Section 4.05 hereof are insufficient to cover the costs and expenses of such realization and the payment in full of the Secured Obligations, the Obligor shall remain liable for any deficiency.

4.07 Removals, Etc. Without at least 30 days' prior written notice to the Lender, the Obligor shall not (i) maintain any of its books and records with respect to the Collateral at any office or maintain its principal place of business at any place, or permit any Inventory or Equipment to be located anywhere, other than at the address indicated beneath the signature of the Obligor below or at one of the locations identified in Annex 5 hereto under its name or in transit from one of such locations to another or (ii) change its name, or the name under which it does business, from the name shown on the signature pages hereto.

4.08 Private Sale. The Lender shall incur no liability as a result of the sale of the Collateral, or any part thereof, at any private sale pursuant to Section 4.05 hereof conducted in a commercially reasonable manner. The Obligor hereby waives any claims against the Lender arising by reason of the fact that the price at which the Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Lender accepts the first offer received and does not offer the Collateral to more than one offeree, provided the sale is concluded in a commercially reasonable manner.

4.09 Application of Proceeds. Except as otherwise herein expressly provided and except as provided below in this Section 4.09, the proceeds of any collection, sale or other realization of all or any part of the Collateral pursuant hereto, and any other cash at the time held by the Lender under this Section 4, shall be applied by the Lender:

First, to the payment of the costs and expenses of such collection, sale or other realization, including reasonable out-of-pocket costs and expenses of the Lender and the fees and expenses of its Lenders and counsel, and all expenses incurred and advances made by the Lender in connection therewith; and

Next, to the payment in full of the Secured Obligations; and

Finally, to the payment to the Obligor, or their respective successors or assigns, or

as a court of competent jurisdiction may direct, of any surplus then remaining.

As used in this Section 4, "proceeds" of Collateral shall mean cash, securities and other property realized in respect of, and distributions in kind of, Collateral, including any thereof received under any reorganization, liquidation or adjustment of debt of the Obligor or any issuer of the Obligor on any of the Collateral.

4.10 Attorney-in-Fact. The Company hereby makes, constitutes, and appoints any officer or agent of the Lender as the Obligor's true and lawful attorney-in-fact, with power to endorse the name of the Obligor upon all notes, checks, drafts, money orders, or other instruments of payment with respect to the Collateral that may come into possession of the Lender in full or part payment of the Secured Obligations; to sign and endorse the name of the Obligor upon all invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, certifications, and notices in connection with the Collateral, and all instruments or documents relating thereto or to the Lender's rights therein; to execute (in the name, place, and stead of the Obligor) endorsements, assignments, stock powers, and other instruments of conveyance or transfer with respect to all or any of the Collateral; to give written notice to such office and officials of the United States Post Office to effect such change or changes of address so that all mail addressed to the Obligor may be delivered directly to the Lender; to grant unto such attorney-in-fact full power to do any and all things necessary to be done with respect to the Collateral, as fully and effectually as the Obligor might or could do; granting, assigning, and conveying the Collateral to Lender in filings may be made with the United States Patent and Trademark Office, the United States Copyright Office, and the applicable state offices in connection with the perfection of the Lender's security interest in such Collateral; carrying out the provisions of this Section 4 by taking any action and executing any instruments which the Lender may reasonably deem necessary or advisable to accomplish the purposes hereof; and hereby ratifying all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney shall be irrevocable for the term of this Agreement and all transactions hereunder and thereafter as long as any Secured Obligation is outstanding.

4.11 Perfection. Prior to or concurrently with the execution and delivery of this Agreement, the Obligor shall file such financing statements and other documents in such offices as the Lender may request to perfect the security interests granted by Section 3 of this Agreement.

4.12 Termination. When all Secured Obligations shall have been paid in full or all obligations of the Obligor under the Bridge Notes shall have expired or been terminated, this Agreement shall terminate, and the Lender shall forthwith cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral and money received in respect thereof, to or on the order of the Obligor and to be released and canceled all licenses and rights referred to in Section 4.04(b) hereof or otherwise in connection herewith. The Lender shall also execute and deliver to the Obligor upon such termination such Uniform Commercial Code termination statements and such other documentation as shall be reasonably requested by the Obligor to effect the termination and release of the Liens on the Collateral.

4.13 Expenses. The Obligor agrees to pay to the Lender all out-of-pocket expenses (including reasonable expenses for legal services of every kind) of, or incident to, the enforcement of any of the provisions of this Section 4, or performance by the Lender of any obligations of the Obligor in respect of the Collateral which the Obligor have failed or refused to perform, or any actual or attempted sale, or any exchange, enforcement, collection, compromise or settlement in respect of any of the Collateral, and for the care of the Collateral and defending or asserting rights and claims of the Lender in respect thereof, by litigation or otherwise, including expenses of insurance, and all such expenses shall be Secured Obligations to the Lender secured under Section 3 hereof.

4.14 Further Assurances. The Obligor agrees that, from time to time upon the written request of the Lender, the Obligor will execute and deliver such further documents and do such other acts and things as the Lender may reasonably request in order fully to effect the purposes of this Agreement.

Section 5. Miscellaneous.

5.01 No Waiver. No failure on the part of the Lender or any of its agents to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by the Lender or any of its agents of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein are cumulative and are not exclusive of any remedies provided by law.

5.02 Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of Connecticut.

5.03 Notices. All notices, requests, consents and demands hereunder shall be in writing and telexed, telecopied or delivered to the intended recipient at its address specified below the recipient's signature herein.

5.04 Waivers, Etc. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by the Obligor and the Lender. Any such amendment or waiver shall be binding upon the Lender, each holder of any of the Secured Obligations and the Obligor.

5.05 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Obligor, the Lender and each holder of any of the Secured Obligations (provided, however, that the Obligor shall not assign or transfer its rights hereunder without the prior written consent of the Lender).

5.06 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

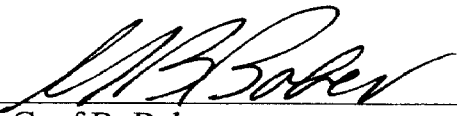
5.07 Agents. The Lender may employ agents and attorneys-in-fact in connection herewith and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith.

5.08 Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Lender and in order to carry out the intentions of the parties hereto as nearly as may be possible and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed and delivered as of the day and year first above written.

E-MED SOLUTIONS, INC.

By: 
Name: Geof B. Baker
Title: President

Address: 417 Montgomery Street
Suite 910
San Francisco, CA 94104
Fax: (415) 981-9195

HSS, INC.

By: _____
Name: Robert Leary
Title: Chief Executive Officer

Address: 2321 Whitney Avenue
Hamden, CT 06518
Fax: (203) 407-3912

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed and delivered as of the day and year first above written.

E-MED SOLUTIONS, INC.

By: _____


Name: Geof B. Baker

Title: President

Address: 417 Montgomery Street
Suite 910
San Francisco, CA 94104

Fax: (415) 981-9195

HSS, INC.

By:  _____

Name: Robert Leary

Title: Chief Executive Officer

Address: 2321 Whitney Avenue
Hamden, CT 06518

Fax: (203) 407-3912

**LIST OF COPYRIGHTS, COPYRIGHT REGISTRATIONS AND
APPLICATIONS FOR COPYRIGHT REGISTRATIONS**

[See Section 2(b).]

Copyrights Filed	Status – Certification of Registration (submit date)	Registration – (approval date)
Specialty Compensation Manager User Guide	Approved, 7-7-98	Status unknown
E-Med Marketing Presentation	Approved, 1-4-99	Status unknown
E-Med Operations Presentation	Approved, 11-10-99	TX5-204-026, 4/27/00
E-Med Physician Compensation Presentation	Approved, 11-10-99	TX5-204-027, 4/27/00
SCM Software License Agreement	Approved, 1-4-99	TX5-199-956, 4/27/00

LIST OF PATENTS AND PATENT APPLICATIONS

[See Section 2(b).]

NONE

**LIST OF TRADE NAMES, TRADEMARKS, SERVICES MARKS,
TRADEMARK AND SERVICE MARK REGISTRATIONS AND
APPLICATIONS FOR TRADEMARK AND SERVICE MARK REGISTRATIONS**

[See Section 2(b).]

Trademark Name	Status	Registration – (Serial Number)
E-Med Solutions	Outstanding – under review	75875660
Physician Compensation Manager	Outstanding – expect approval by 8/01 (published for opposition)	75875668
Specialty Compensation Manager	Outstanding – expect approval by 8/01 (published for opposition)	75875656
Capflex	Approved	(2,120,247)
CDS	Approved	(2,169,858)
Contact Capitation Manager	Approved	(2,358,775)
E-Med Specialty Modeler	Abandoned (3-20-2001)	
E-Datamed	Abandoned (January 4, 2001)	

LIST OF CONTRACTS, LICENSES AND OTHER AGREEMENTS

[See Section 2(c), (d), and (e).]

Specialty Compensation Manager Contracts & Other Agreements	Date
Blue Cross Blue Shield of Florida	12/29/99
Tenet Healthcare, New Orleans	12/13/99
Health First HMO, Melbourne, FL	9/28/00
Physicians Medical Group of Santa Cruz, Santa Cruz, CA	10/26/99
Sierra Valley Medical Group, California	8/26/99
Oklahoma City Clinic, Oklahoma City, OK	12/15/99
Managed Care Systems of Kern County, Bakersfield, CA	11/30/00
Humana Choice Care, Cincinnati, OH	4/20/01
Oxford Healthplans Historical	1/4/01
Coventry Health Plans Historical	2/27/01
Provider Services Network, Boston Mass	10/27/99

LIST OF LOCATIONS

[See Section 4.07.]

E-Med Solutions, Inc.
417 Montgomery Street, Suite 910
San Francisco, CA 94104

SCHEDULE 2 (a)

NONE

SCHEDULE 2(d)

NONE

07-27-2001
101790610

FORM PTO-1594 (Modified)
(Rev. 6-93)
OMB No. 0651-0011 (exp. 4/94)

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office

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

1. Name of conveying party(ies):
E-MED SOLUTIONS, Inc. 07/17/01

Individual(s) Association
 General Partnership Change of Name
 Corporation -
 Other - Security Agreement

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

3. Nature of conveyance:
 Assignment Merger
 Security Agreement Change of Name
 Other- Certificate of Amendment

Execution Date: June 28, 2001

2. Name and address of receiving party(ies)
HSS, Inc.
2321 Whitehall Avenue
Hamden, CT 06518

Internal Address:
 Association
 General Partnership
 Limited Partnership
 Corporation -
 Other - LLC, State of New York

If assignee is not domiciled in the United States, a domestic Designation is Yes No
(Designations must be a separate document form)

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

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

A. Trademark Application No.(s)	B. Trademark Registration No.(s)
75/875660	2,120,247
75/875668	2,169,858
75/875656	2,358,775

Additional numbers attached? Yes No

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

Name: Thomas M. Sullivan, Esq.
Address: MINTZ, LEVIN, COHN, FERRIS
GLOVSKY and POPEO, P.C.
One Financial Center
Boston, MA 02111

6. Total number of applications and trademarks involved: [3]

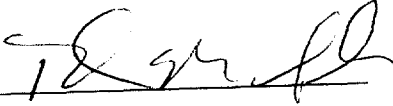
7. Total fee (37 CFR 3.41).....\$165.00
 Enclosed

Should the amount of the enclosed fee be insufficient, the Commissioner is hereby authorized to charge the balance due to the deposit account of the undersigned.

8. Deposit Account No: 50-0311

DO NOT USE THIS SPACE

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

Thomas M. Sullivan, Esq.  July 17, 2001

Name of Person Signing Signature Date

Total number of pages including cover sheet, attachments, and document: [3]

Mail to: Box ASSIGNMENT
Commissioner of Patents and Trademarks
Washington, D.C. 20231

07/26/2001 LNUELLER 00000177 75873660

01 FC:481 40.00 OP
02 FC:482 125.00 OP

SECURITY AGREEMENT

This SECURITY AGREEMENT (this "Agreement") is dated as of June 28, 2001 by and between E-MED SOLUTIONS, INC., a corporation duly organized and validly existing under the laws of the State of California (the "Company" or the "Obligor") and HSS, INC., a corporation duly organized and validly existing under the laws of the State of Connecticut (the "Lender").

WHEREAS, the Company has executed a Secured Bridge Note, dated as of even date herewith (the "Initial Bridge Note"), promising to pay Lender the Principal Amount (as defined in the Initial Bridge Note), plus interest accrued thereon, all on the terms and conditions described therein; and

WHEREAS, the Company may execute one additional Secured Bridge Note (the "Additional Bridge Note" and, together with the Initial Bridge Note, the "Bridge Notes"), if agreed to by the parties, promising to pay Lender the Principal Amount (as defined in the Additional Bridge Note), plus interest accrued thereon, all on the terms and conditions described therein; and

WHEREAS, to induce Lender to accept the Bridge Notes in return for the loans described therein, the Obligor has agreed to pledge and grant a security interest in the Collateral (as hereinafter defined) as security for the Secured Obligations (as hereinafter defined).

NOW, THEREFORE, in consideration of the covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as follows:

Section 1. Definitions. Terms defined in the Bridge Notes are used herein as defined therein. In addition, as used herein:

"Accounts" shall mean all accounts and general intangibles (each as defined in the Uniform Commercial Code) of the Obligor constituting any right to the payment of money, including (but not limited to) all moneys due and to become due to the Obligor in respect of any loans or advances or for Inventory or Equipment or other goods sold or leased or for services rendered, all moneys due and to become due to the Obligor under any guarantee (including a letter of credit) of the purchase price of Inventory or Equipment sold by the Obligor and all tax refunds.

"Collateral" shall have the meaning ascribed thereto in Section 3 hereof.

"Copyright Collateral" shall mean all Copyrights, whether now owned or hereafter acquired by the Obligor.

"Copyrights" shall mean all copyrights, copyright registrations and applications for copyright registrations, including, without limitation, all renewals and extensions thereof, the right to recover for all past, present and future infringements thereof, and all other rights of any kind whatsoever accruing thereunder or pertaining thereto.

“Documents” shall mean all documents of title (as defined in the Uniform Commercial Code) or other receipts of the Obligor covering, evidencing or representing Inventory or Equipment.

“Equipment” shall mean all equipment (as defined in the Uniform Commercial Code) of the Obligor.

“Instruments” shall mean all instruments, chattel paper or letters of credit (each as defined in the Uniform Commercial Code) of the Obligor evidencing, representing, arising from or existing in respect of, relating to, securing or otherwise supporting the payment of, any of the Accounts, including (but not limited to) promissory notes, drafts, bills of exchange and trade acceptances.

“Intellectual Property” shall mean, collectively, all Copyright Collateral, all Patent Collateral and all Trademark Collateral, together with (a) all inventions, software, processes, production methods, proprietary information, know-how and trade secrets; (b) all licenses or user or other agreements granted to the Obligor with respect to any of the foregoing, in each case whether now or hereafter owned or used including, without limitation, the licenses or other agreements with respect to the Copyright Collateral, the Patent Collateral or the Trademark Collateral, listed in Annexes 1, 2 and 3 hereto; (c) all information, customer lists, identification of suppliers, data, plans, blueprints, specifications, designs, drawings, samples, patterns, recorded knowledge, surveys, engineering reports, test reports, manuals, materials standards, processing standards, performance standards, catalogs, computer and automatic machinery software and programs; (d) all field repair data, sales data and other information relating to sales or service of products now or hereafter manufactured; (e) all accounting information and all media in which or on which any information or knowledge or data or records may be recorded or stored and all computer programs used for the compilation or printout of such information, knowledge, records or data; (f) all licenses, consents, permits, variances, certifications and approvals of governmental agencies now or hereafter held by the Obligor; and (g) all causes of action, claims and warranties now or hereafter owned or acquired by the Obligor in respect of any of the items listed above.

“Inventory” shall mean all inventory (as defined in the Uniform Commercial Code) of the Obligor, all goods obtained by the Obligor in exchange for such inventory, and any products made or processed from such inventory including all substances, if any, commingled therewith or added thereto.

“Patent Collateral” shall mean all Patents, whether now owned or hereafter acquired by the Obligor.

“Patents” shall mean all patents and patent applications, including, without limitation, the inventions and improvements described and claimed therein together with the reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, all income, royalties, damages and payments now or hereafter due and/or payable

under and with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, the right to sue for past, present and future infringements thereof, and all rights corresponding thereto throughout the world.

“Secured Obligations” shall mean, collectively, (a) the Principal Amount of and Interest payable by Borrower under the Initial Bridge Note; (b) the Principal Amount of and Interest payable by Borrower under any Additional Bridge Note; and (c) all obligations of the Obligor to the Lender hereunder.

“Trademark Collateral” shall mean all Trademarks, whether now owned or hereafter acquired by the Obligor. Notwithstanding the foregoing, the Trademark Collateral does not and shall not include any Trademark which would be rendered invalid, abandoned, void or unenforceable by reason of its being included as part of the Trademark Collateral.

“Trademarks” shall mean all trade names, trademarks and service marks, logos, trademark and service mark registrations, and applications for trademark and service mark registrations, including, without limitation, all renewals of trademark and service mark registrations, all rights corresponding thereto throughout the world, the right to recover for all past, present and future infringements thereof, all other rights of any kind whatsoever accruing thereunder or pertaining thereto, together, in each case, with the product lines and goodwill of the business connected with the use of, and symbolized by, each such trade name, trademark and service mark.

“Uniform Commercial Code” shall mean the Uniform Commercial Code as in effect from time to time in the State of Connecticut.

Section 2. Representations and Warranties. The Obligor represents and warrants to the Lender that:

(a) The Obligor is the sole beneficial owner of the Collateral in which it purports to grant a security interest pursuant to Section 3 hereof and no lien exists or will exist upon such Collateral at any time (and no right or option to acquire the same exists in favor of any other person), except for the lien and security interest for the benefit of the Lender created or provided for herein, which pledge and security interest constitute a first priority perfected pledge and security interest in and to all of such Collateral, and except as set forth on Schedule 2(a) attached hereto.

(b) Annexes 1, 2, and 3 hereto, respectively, set forth under the name of the Obligor a complete and correct list of all Copyrights, Patents and Trademarks owned by the Obligor on the date hereof; except pursuant to licenses and other user agreements entered into by the Obligor in the ordinary course of business, which are listed in Annex 4 hereto, the Obligor owns and possesses the right to use, and has done nothing to authorize or enable any other Person to use, any Copyright, Patent or Trademark listed in said Annexes 1, 2, and 3, and all registrations listed in said Annexes 1, 2, and 3 are valid

and in full force and effect; and the Obligor owns and possesses the right to use all Copyrights, Patents and Trademarks.

(c) Annex 4 hereto sets forth a complete and correct list of all licenses and other user agreements included in the Intellectual Property on the date hereof.

(d) To the Obligor's knowledge, (i) there is no violation by others of any right of the Obligor with respect to any Copyright, Patent or Trademark listed in Annexes 1, 2, and 3 hereto, respectively, under the name of the Obligor and (ii) the Obligor is not infringing in any respect upon any Copyright, Patent or Trademark of any other Person; and, except as set forth on Schedule 2(d) attached hereto, no proceedings have been instituted or are pending against the Obligor or, to the Obligor's knowledge, threatened, and no claim against the Obligor has been received by the Obligor, alleging any such violation.

(e) The Obligor does not own any Trademarks registered in the United States of America to which the last sentence of the definition of Trademark Collateral applies.

Section 3. Collateral. As collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations, the Obligor hereby pledges and grants to the Lender a first priority pledge and security interest in all of the Obligor's right, title and interest in the following property, whether now owned by the Obligor or hereafter acquired and whether now existing or hereafter coming into existence (all being collectively referred to herein as "Collateral"):

(a) all Accounts;

(b) all Instruments;

(c) all Inventory;

(d) all Intellectual Property and all other accounts or general intangibles not constituting Intellectual Property or Accounts;

(e) all Equipment;

(f) each contract and other agreement to which the Obligor is a party;

(g) all Documents;

(h) all rights, claims and benefits of the Obligor against any Person arising out of, relating to or in connection with Inventory or Equipment purchased by the Obligor, including, without limitation, any such rights, claims or benefits against any Person storing or transporting such Inventory or Equipment; and

(i) all other tangible and intangible personal property and fixtures of the Obligor, including, without limitation, all proceeds, products, offspring, accessions, rents, profits, income, benefits, substitutions and replacements of and to any of the property of the Obligor described in the preceding clauses of this Section 3 (including, without limitation, any proceeds of insurance thereon) and, to the extent related to any property described in said clauses or such proceeds, products and accessions, all books, correspondence, credit files, records, invoices and other papers, including without limitation all tapes, cards, computer runs and other papers and documents in the possession or under the control of the Obligor or any computer bureau or service company from time to time acting for the Obligor.

Section 4. Further Assurances; Remedies. In furtherance of the grant of the pledge and security interest pursuant to Section 3 hereof, the Obligor hereby agrees with the Lender as follows:

4.01 Delivery and Other Perfection. The Obligor shall:

(a) deliver and pledge to the Lender any and all Instruments, endorsed and/or accompanied by such instruments of assignment and transfer in such form and substance as the Lender may request; provided, that so long as no Event of Acceleration shall have occurred and be continuing as provided in Section 4 of the Bridge Notes, the Obligor may retain for collection in the ordinary course any Instruments received by the Obligor in the ordinary course of business and the Lender shall, promptly upon request of the Obligor, make appropriate arrangements for making any Instrument pledged by the Obligor available to the Obligor for purposes of presentation, collection or renewal (any such arrangement to be effected, to the extent deemed appropriate by the Lender, against trust receipt or like document);

(b) give, execute, deliver, file and/or record any financing statement, notice, instrument, document, agreement or other papers that may be necessary or desirable (in the reasonable judgment of the Lender) to create, preserve, perfect or validate the security interest granted pursuant hereto or to enable the Lender to exercise and enforce its rights hereunder with respect to such pledge and security interest, provided that notices to account debtors in respect of any Accounts or Instruments shall be subject to the provisions of clause (h) below;

(c) without limiting the obligations of the Obligor under Section 4.04(b) hereof, upon the acquisition after the date hereof by the Obligor of any Equipment covered by a certificate of title or ownership, cause the Lender to be listed as the lienholder on such certificate of title and within 120 days of the acquisition thereof deliver evidence of the same to the Lender;

(d) keep full and accurate books and records relating to the Collateral, and stamp or otherwise mark such books and records in such manner as the Lender may reasonably require in order to reflect the security interests granted by this Agreement;

(e) furnish to the Lender from time to time (but, unless an Event of Acceleration shall have occurred and be continuing, no more frequently than quarterly) statements and schedules further identifying and describing the Copyright Collateral, the Patent Collateral and the Trademark Collateral, respectively, and such other reports in connection with the Copyright Collateral, the Patent Collateral and the Trademark Collateral, as the Lender may reasonably request, all in reasonable detail;

(f) promptly upon request of the Lender, following receipt by the Lender of any statements, schedules or reports pursuant to clause (f) above, modify this Agreement by amending Annexes 1, 2, and 3 hereto, as the case may be, to include any Copyright, Patent or Trademark which becomes part of the Collateral under this Agreement;

(g) permit representatives of the Lender, upon reasonable notice, at any time during normal business hours to inspect and make abstracts from its books and records pertaining to the Collateral, and permit representatives of the Lender to be present at the Obligor's place of business to receive copies of all communications and remittances relating to the Collateral, and forward copies of any notices or communications received by the Obligor with respect to the Collateral, all in such manner as the Lender may reasonably require;

(h) upon the occurrence and during the continuance of any Event of Acceleration, upon request of the Lender, promptly notify (and the Obligor hereby authorizes the Lender so to notify) each account debtor in respect of any Accounts or Instruments that such Collateral has been assigned to the Lender hereunder, and that any payments due or to become due in respect of such Collateral are to be made directly to the Lender.

4.02 Other Financing Statements and Liens. The Obligor shall not file or suffer to be on file, or authorize or permit to be filed or to be on file, in any jurisdiction, any financing statement or like instrument with respect to the Collateral in which the Lender is not named as the sole secured party.

4.03 Covenants of Obligor. To protect the security afforded by this Agreement, the Obligor agrees as follows:

(a) the Obligor will perform and discharge each and every obligation, covenant, condition, duty and agreement to be performed by the Obligor so as to prevent the material impairment of the Collateral.

(b) without the written consent of the Lender, the Obligor will not (i) amend, modify, otherwise change, or terminate any agreement or obligation concerning the Collateral, or (ii) accept in advance of a scheduled due date any payments payable to it with respect to the Collateral, or (iii) sell, exchange, assign, loan, deliver, lease, mortgage, or otherwise dispose of any Collateral except that until the occurrence of a default hereunder, the Obligor shall have the right to sell such of the Collateral as is

inventory or is obsolete equipment with minimal cash value to the Obligor, but only in the ordinary course of the Obligor's business.

(c) at the Obligor's sole cost and expense, the Obligor will appear in and defend or, upon the written consent of the Lender, compromise or settle, any action or proceeding arising under, growing out of, or in any manner connected with the Collateral.

(d) the Obligor shall, at its expense, maintain the Collateral in good condition and state of repair and will pay and discharge when due all taxes, liens, and other impositions thereupon, as well as the cost of repairs to and maintenance of the same, and will not permit anything to be done that may impair the value thereof or the security interest granted to the Lender by this Agreement.

(e) the Obligor warrants that the Collateral will be held by it at its principal place of business at its address set forth on the signature page hereof. The Obligor further warrants that it will not change such principal place of business, change its name nor acquire any additional place of business without giving the Lender at least thirty (30) days' prior written notice thereof.

(f) the Obligor shall carry such insurance upon the Collateral and shall cause the policies to be endorsed so that all losses will be payable both to the Obligor and the Lender as their interests may from time to time appear, and it shall authorize the Lender to adjust any losses in connection therewith.

(g) the Obligor will take all reasonably necessary steps, including in all proceedings before the United States Patent and Trademark Office, the U.S. Copyright Office, or any similar office or agency in any state or any other country or any political subdivision thereof, to maintain and pursue all applications (and to obtain the relevant registrations) filed with respect to, and to maintain all registrations of, all of the Collateral related to patents, trademarks, and copyrights, including the filing of applications for renewal, declarations of use and incontestability, and opposition, interference, and cancellation proceedings.

(h) should the Obligor fail to make any payment, do any act, or refrain from any act that this Agreement requires the Obligor to make, do, or refrain from, respectively, then the Lender may, but shall have no obligation to (and shall not thereby release the Obligor from any obligation hereunder), make, do, or prevent the same, respectively, in such manner and to such extent as the Lender in its reasonable commercial judgment may deem necessary or advisable to protect the security provided hereby, which rights of the Lender shall specifically include, without limiting the Lender's general powers herein granted, the right to appear in and defend any action or proceeding purporting to affect the security hereof and the rights or powers of the Lender hereunder (or any of them), and also the right to perform and discharge each and every one, or any one or more, of the obligations, covenants, conditions, duties, and agreements of the Obligor concerning the Collateral; and in exercising any such powers, the Lender may pay necessary or advisable

costs and expenses, employ counsel, and incur and pay reasonable attorneys' fees, and the Obligor will reimburse the Lender for such reasonable costs, expenses, and fees together with interest at the default rate set forth in the Bridge Notes; provided that failure by the Obligor to pay such amounts with interest within fifteen (15) days from the date of demand therefor by the Lender shall constitute a default hereunder.

(i) the Lender shall not be required to take steps necessary to preserve any rights against prior parties to any of the Collateral.

4.04 Special Provisions Relating to Intellectual Property.

(a) For the purpose of enabling the Lender to exercise rights and remedies under Section 4.05 hereof at such time as the Lender shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, the Obligor hereby grants to the Lender, to the extent permitted pursuant to the terms thereof or applicable law, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Obligor) to use, license or sublicense any of the Intellectual Property now owned or hereafter acquired by the Obligor, wherever the same may be located, including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout thereof; provided, however, such license shall terminate in the event any and all obligations of the Obligor hereunder or under the Bridge Notes shall have been satisfied in full.

(b) Notwithstanding anything contained herein to the contrary, so long as no Event of Acceleration shall have occurred and be continuing, the Obligor will be permitted to exploit, use, enjoy, protect, license, sublicense, assign, sell, dispose of or take other actions with respect to the Intellectual Property in the ordinary course of the business of the Obligor. In furtherance of the foregoing, unless an Event of Acceleration shall have occurred and be continuing, the Lender shall from time to time, upon the request of the respective Obligor through the Company, execute and deliver any instruments, certificates or other documents, in the form so requested, which the Obligor shall have certified are appropriate (in their judgment) to allow it to take any action permitted above (including relinquishment of the license provided pursuant to clause (1) immediately above as to any specific Intellectual Property). Further, upon the payment in full of all of the Secured Obligations and cancellation or termination of all of the Obligor's obligations under this Agreement or release of the Collateral, the Lender shall grant back to the Obligor the license granted pursuant to clause (1) immediately above. The exercise of rights and remedies under Section 4.05 hereof by the Lender shall not terminate the rights of the holders of any licenses or sublicenses theretofore granted by the Obligor in accordance with the first sentence of this clause (2).

4.05 Events of Acceleration, Etc. During the period during which an Event of Acceleration shall have occurred and be continuing:

(a) the Obligor shall, at the request of the Lender, assemble the Collateral owned by it at such place or places, reasonably convenient to both the Lender and the Obligor, designated in its request;

(b) the Lender may make any reasonable compromise or settlement deemed desirable with respect to any of the Collateral and may extend the time of payment, arrange for payment in installments, or otherwise modify the terms of, any of the Collateral;

(c) the Lender shall have all of the rights and remedies with respect to the Collateral of a secured party under the Uniform Commercial Code (whether or not said Code is in effect in the jurisdiction where the rights and remedies are asserted) and such additional rights and remedies to which a secured party is entitled under the laws in effect in any jurisdiction where any rights and remedies hereunder may be asserted, including, without limitation, the right, to the maximum extent permitted by law, to exercise all voting, consensual and other powers of ownership pertaining to the Collateral as if the Lender were the sole and absolute owner thereof (and the Obligor agrees to take all such action as may be appropriate to give effect to such right);

(d) the Lender in its discretion may, in its name or in the name of the Obligor or otherwise, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for any of the Collateral, but shall be under no obligation to do so; and

(e) the Lender may, upon ten (10) business days' prior written notice to the Obligor of the time and place, with respect to the Collateral or any part thereof which shall then be or shall thereafter come into the possession, custody or control of the Lender, sell, lease, assign or otherwise dispose of all or any part of such Collateral, at such place or places as the Lender deems best, and for cash or for credit or for future delivery (without thereby assuming any credit risk), at public or private sale, without demand of performance or notice of intention to effect any such disposition or of the time or place thereof (except such notice as is required above or by applicable statute and cannot be waived), and the Lender or anyone else may be the purchaser, lessee, assignee or recipient of any or all of the Collateral so disposed of at any public sale (or, to the extent permitted by law, at any private sale) and thereafter hold the same absolutely, free from any claim or right of whatsoever kind, including any right or equity of redemption (statutory or otherwise), of the Obligor, any such demand, notice and right or equity being hereby expressly waived and released. In the event of any sale, assignment, or other disposition of any of the Trademark Collateral, the goodwill connected with and symbolized by the Trademark Collateral subject to such disposition shall be included, and the Obligor shall supply to the Lender or its designee, for inclusion in such sale,

assignment or other disposition, all Intellectual Property relating to such Trademark Collateral. The Lender may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the sale may be so adjourned.

The proceeds of each collection, sale or other disposition under this Section 4.05, including by virtue of the exercise of the license granted to the Lender in Section 4.04(b) hereof, shall be applied in accordance with Section 4.09 hereof.

4.06 Deficiency. If the proceeds of sale, collection or other realization of or upon the Collateral pursuant to Section 4.05 hereof are insufficient to cover the costs and expenses of such realization and the payment in full of the Secured Obligations, the Obligor shall remain liable for any deficiency.

4.07 Removals, Etc. Without at least 30 days' prior written notice to the Lender, the Obligor shall not (i) maintain any of its books and records with respect to the Collateral at any office or maintain its principal place of business at any place, or permit any Inventory or Equipment to be located anywhere, other than at the address indicated beneath the signature of the Obligor below or at one of the locations identified in Annex 5 hereto under its name or in transit from one of such locations to another or (ii) change its name, or the name under which it does business, from the name shown on the signature pages hereto.

4.08 Private Sale. The Lender shall incur no liability as a result of the sale of the Collateral, or any part thereof, at any private sale pursuant to Section 4.05 hereof conducted in a commercially reasonable manner. The Obligor hereby waives any claims against the Lender arising by reason of the fact that the price at which the Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Lender accepts the first offer received and does not offer the Collateral to more than one offeree, provided the sale is concluded in a commercially reasonable manner.

4.09 Application of Proceeds. Except as otherwise herein expressly provided and except as provided below in this Section 4.09, the proceeds of any collection, sale or other realization of all or any part of the Collateral pursuant hereto, and any other cash at the time held by the Lender under this Section 4, shall be applied by the Lender:

First, to the payment of the costs and expenses of such collection, sale or other realization, including reasonable out-of-pocket costs and expenses of the Lender and the fees and expenses of its Lenders and counsel, and all expenses incurred and advances made by the Lender in connection therewith; and

Next, to the payment in full of the Secured Obligations; and

Finally, to the payment to the Obligor, or their respective successors or assigns, or

as a court of competent jurisdiction may direct, of any surplus then remaining.

As used in this Section 4, "proceeds" of Collateral shall mean cash, securities and other property realized in respect of, and distributions in kind of, Collateral, including any thereof received under any reorganization, liquidation or adjustment of debt of the Obligor or any issuer of the Obligor on any of the Collateral.

4.10 Attorney-in-Fact. The Company hereby makes, constitutes, and appoints any officer or agent of the Lender as the Obligor's true and lawful attorney-in-fact, with power to endorse the name of the Obligor upon all notes, checks, drafts, money orders, or other instruments of payment with respect to the Collateral that may come into possession of the Lender in full or part payment of the Secured Obligations; to sign and endorse the name of the Obligor upon all invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, certifications, and notices in connection with the Collateral, and all instruments or documents relating thereto or to the Lender's rights therein; to execute (in the name, place, and stead of the Obligor) endorsements, assignments, stock powers, and other instruments of conveyance or transfer with respect to all or any of the Collateral; to give written notice to such office and officials of the United States Post Office to effect such change or changes of address so that all mail addressed to the Obligor may be delivered directly to the Lender; to grant unto such attorney-in-fact full power to do any and all things necessary to be done with respect to the Collateral, as fully and effectually as the Obligor might or could do; granting, assigning, and conveying the Collateral to Lender in filings may be made with the United States Patent and Trademark Office, the United States Copyright Office, and the applicable state offices in connection with the perfection of the Lender's security interest in such Collateral; carrying out the provisions of this Section 4 by taking any action and executing any instruments which the Lender may reasonably deem necessary or advisable to accomplish the purposes hereof; and hereby ratifying all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney shall be irrevocable for the term of this Agreement and all transactions hereunder and thereafter as long as any Secured Obligation is outstanding.

4.11 Perfection. Prior to or concurrently with the execution and delivery of this Agreement, the Obligor shall file such financing statements and other documents in such offices as the Lender may request to perfect the security interests granted by Section 3 of this Agreement.

4.12 Termination. When all Secured Obligations shall have been paid in full or all obligations of the Obligor under the Bridge Notes shall have expired or been terminated, this Agreement shall terminate, and the Lender shall forthwith cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral and money received in respect thereof, to or on the order of the Obligor and to be released and canceled all licenses and rights referred to in Section 4.04(b) hereof or otherwise in connection herewith. The Lender shall also execute and deliver to the Obligor upon such termination such Uniform Commercial Code termination statements and such other documentation as shall be reasonably requested by the Obligor to effect the termination and release of the Liens on the Collateral.

4.13 Expenses. The Obligor agrees to pay to the Lender all out-of-pocket expenses (including reasonable expenses for legal services of every kind) of, or incident to, the enforcement of any of the provisions of this Section 4, or performance by the Lender of any obligations of the Obligor in respect of the Collateral which the Obligor have failed or refused to perform, or any actual or attempted sale, or any exchange, enforcement, collection, compromise or settlement in respect of any of the Collateral, and for the care of the Collateral and defending or asserting rights and claims of the Lender in respect thereof, by litigation or otherwise, including expenses of insurance, and all such expenses shall be Secured Obligations to the Lender secured under Section 3 hereof.

4.14 Further Assurances. The Obligor agrees that, from time to time upon the written request of the Lender, the Obligor will execute and deliver such further documents and do such other acts and things as the Lender may reasonably request in order fully to effect the purposes of this Agreement.

Section 5. Miscellaneous.

5.01 No Waiver. No failure on the part of the Lender or any of its agents to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by the Lender or any of its agents of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein are cumulative and are not exclusive of any remedies provided by law.

5.02 Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of Connecticut.

5.03 Notices. All notices, requests, consents and demands hereunder shall be in writing and telexed, telecopied or delivered to the intended recipient at its address specified below the recipient's signature herein.

5.04 Waivers, Etc. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by the Obligor and the Lender. Any such amendment or waiver shall be binding upon the Lender, each holder of any of the Secured Obligations and the Obligor.

5.05 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Obligor, the Lender and each holder of any of the Secured Obligations (provided, however, that the Obligor shall not assign or transfer its rights hereunder without the prior written consent of the Lender).

5.06 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.


5.07 Agents. The Lender may employ agents and attorneys-in-fact in connection herewith and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith.

5.08 Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Lender and in order to carry out the intentions of the parties hereto as nearly as may be possible and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed and delivered as of the day and year first above written.

E-MED SOLUTIONS, INC.

By: 
Name: Geof B. Baker
Title: President

Address: 417 Montgomery Street
Suite 910
San Francisco, CA 94104
Fax: (415) 981-9195

HSS, INC.

By: _____
Name: Robert Leary
Title: Chief Executive Officer

Address: 2321 Whitney Avenue
Hamden, CT 06518
Fax: (203) 407-3912

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**LIST OF COPYRIGHTS, COPYRIGHT REGISTRATIONS AND
APPLICATIONS FOR COPYRIGHT REGISTRATIONS**

[See Section 2(b).]

Copyrights Filed	Status – Certification of Registration (submit date)	Registration – (approval date)
Specialty Compensation Manager User Guide	Approved, 7-7-98	Status unknown
E-Med Marketing Presentation	Approved, 1-4-99	Status unknown
E-Med Operations Presentation	Approved, 11-10-99	TX5-204-026, 4/27/00
E-Med Physician Compensation Presentation	Approved, 11-10-99	TX5-204-027, 4/27/00
SCM Software License Agreement	Approved, 1-4-99	TX5-199-956, 4/27/00

LIST OF PATENTS AND PATENT APPLICATIONS

[See Section 2(b).]

NONE

**LIST OF TRADE NAMES, TRADEMARKS, SERVICES MARKS,
TRADEMARK AND SERVICE MARK REGISTRATIONS AND
APPLICATIONS FOR TRADEMARK AND SERVICE MARK REGISTRATIONS**

[See Section 2(b).]

Trademark Name	Status	Registration – (Serial Number)
E-Med Solutions	Outstanding – under review	75875660
Physician Compensation Manager	Outstanding – expect approval by 8/01 (published for opposition)	75875668
Specialty Compensation Manager	Outstanding – expect approval by 8/01 (published for opposition)	75875656
Capflex	Approved	(2,120,247)
CDS	Approved	(2,169,858)
Contact Capitation Manager	Approved	(2,358,775)
E-Med Specialty Modeler	Abandoned (3-20-2001)	
E-Datamed	Abandoned (January 4, 2001)	

LIST OF CONTRACTS, LICENSES AND OTHER AGREEMENTS

[See Section 2(c), (d), and (e).]

Specialty Compensation Manager Contracts & Other Agreements	Date
Blue Cross Blue Shield of Florida	12/29/99
Tenet Healthcare, New Orleans	12/13/99
Health First HMO, Melbourne, FL	9/28/00
Physicians Medical Group of Santa Cruz, Santa Cruz, CA	10/26/99
Sierra Valley Medical Group, California	8/26/99
Oklahoma City Clinic, Oklahoma City, OK	12/15/99
Managed Care Systems of Kern County, Bakersfield, CA	11/30/00
Humana Choice Care, Cincinnati, OH	4/20/01
Oxford Healthplans Historical	1/4/01
Coventry Health Plans Historical	2/27/01
Provider Services Network, Boston Mass	10/27/99

LIST OF LOCATIONS

[See Section 4.07.]

**E-Med Solutions, Inc.
417 Montgomery Street, Suite 910
San Francisco, CA 94104**

SCHEDULE 2 (a)

NONE

SCHEDULE 2(d)

NONE