

Re

09-28-2000



101475389

U.S. Department of Commerce  
Patent and Trademark Office  
**PATENT**

**RECORDATION FORM COVER SHEET  
PATENTS ONLY**

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# 101408914A

☐ Correction of PTO Error  
Reel #  Frame #

☐ Corrective Document  
Reel #  Frame #

9-19-00

**Conveyance Type**

☐ Assignment ☒ Security Agreement

☐ License ☐ Change of Name

☐ Merger ☐ Other

**U.S. Government**  
(For Use ONLY by U.S. Government Agencies)

☐ Departmental File ☐ Secret File

**Conveying Party(ies)**

☐ Mark if additional names of conveying parties attached

Execution Date		
Month	Day	Year
06	19	00

Name (line 1) APPIAN GRAPHICS CORP.

Name (line 2)

**Second Party**

Name (line 1)

Name (line 2)

Execution Date  
Month Day Year

**Receiving Party**

☒ Mark if additional names of receiving parties attached

Name (line 1) GMN Investors II, L.P.

Name (line 2)

Address (line 1) 20 William Street, Suite 250

Address (line 2)

Address (line 3) Wellesley

Massachusetts

02481

City

State/Country

Zip Code

☐ 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 is attached. (Designation must be a separate document from Assignment.)

45E

**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)

FOR OFFICE USE ONLY

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

**PATENT**  
**REEL: 011111 FRAME: 0045**

**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.

#

**Application Number(s) or Patent Number(s)**

☐ Mark if additional numbers attached

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

**Patent Application Number(s)**

**Patent Number(s)**

\* this document is being filed together with a new Patent Application, enter the date the patent application was signed by the first named executing inventor.

Month Day Year

**Patent Cooperation Treaty (PCT)**

Enter PCT application number  
only if a U.S. Application Number  
has not been assigned.

PCT

PCT

PCT

PCT

PCT

PCT

**Number of Properties**

Enter the total number of properties involved.

#

**Fee Amount**

Fee Amount for Properties Listed (37 CFR 3.41): \$

Method of Payment:  
Deposit Account

Enclosed ☒ 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.*

SARAH J. MOSKOWITZ, ESQ.

Name of Person Signing

Signature

Date

**Names of Additional Receiving Parties in  
connection with Security Interest Recordation.**

SSM Venture Partners, II, L.P.  
845 Crossover Lane, Suite 140  
Memphis, Tennessee 38117  
a Tennessee Limited Partnership

SSM Venture Associates, L.P.  
845 Crossover Lane, Suite 140  
Memphis, Tennessee 38117  
a Tennessee Limited Partnership

Berenson, Richard  
39 Karen Road  
Newton, Massachusetts 02168  
a U.S. Citizen

07-20-2000



U.S. Department of Commerce  
Patent and Trademark Office  
**PATENT**

101408914

6.22 '00

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PATENTS ONLY**

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☐ **Merger** ☐ **Other**   
**U.S. Government**  
(For Use ONLY by U.S. Government Agencies)  
☐ **Departmental File** ☐ **Secret File**

**Conveying Party(ies)**

☐ Mark if additional names of conveying parties attached  
Execution Date  
Month Day Year  
06 19 00

Name (line 1)   
Name (line 2)   
**Second Party**  
Name (line 1)   
Name (line 2)

Execution Date  
Month Day Year

09346420

**Receiving Party**

☒ Mark if additional names of receiving parties attached

Name (line 1)   
Name (line 2)   
Address (line 1)   
Address (line 2)   
Address (line 3)     
City State/Country Zip Code

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**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)

07/20/2000 NTHAI1 00000066 09346420

01 FC:581 80.00 DP  
02 FC:630 35.00 DP

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09/28/2000 NTHAI1 00000066 09346420  
07/20/2000 NTHAI1 00000066 09346420  
02 FC:630

09/28/2000 NTHAI1 00000066 09346420  
07/20/2000 NTHAI1 00000066 09346420  
01 FC:581

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**REEL: 011111 FRAME: 0048**

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Area Code and Telephone Number

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Enter PCT application number

only if a U.S. Application Number has not been assigned.

PCT

PCT

PCT

PCT

PCT

PCT

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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.*

Sarah J. Moskowitz, Esq.

Name of Person Signing

Signature

Date

NEITHER THIS NOTE NOR THE SHARES ISSUABLE UPON EXERCISE OF THE CONVERSION RIGHTS SET FORTH IN THIS NOTE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND NEITHER THIS NOTE NOR THE SHARES ISSUABLE UPON EXERCISE OF THE CONVERSION RIGHTS SET FORTH IN THIS NOTE CAN BE SOLD OR TRANSFERRED UNLESS THE REGISTRATION PROVISIONS OF THE SAID ACT HAVE BEEN COMPLIED WITH OR UNLESS COMPLIANCE WITH SUCH PROVISIONS IS NOT REQUIRED.

PAYMENT OF PRINCIPAL, INTEREST AND OTHER AMOUNTS ON THIS INSTRUMENT IS SUBJECT TO THE PROVISIONS OF THAT CERTAIN SUBORDINATION AGREEMENT, DATED AS OF JUNE 19, 2000, AS AMENDED, RESTATED, SUPPLEMENTED OR OTHERWISE MODIFIED FROM TIME TO TIME (THE "SUBORDINATION AGREEMENT").

APPIAN GRAPHICS CORP.

SUBORDINATED PROMISSORY NOTE  
AND SECURITY AGREEMENT

\$836,590

Redmond, Washington  
June 19, 2000

FOR VALUE RECEIVED, upon the terms and subject to the conditions set forth in this subordinated promissory note and security agreement (this "Note"), **Appian Graphics Corp.**, a Delaware corporation, with its principal place of business at 18005 NE 68<sup>th</sup> Street, Suite A120, Redmond, Washington 98052 (the "Company"), absolutely and unconditionally promises to pay on or before the Maturity Date (as defined below), to the order of **SSM Venture Partners II, L.P.**, with an address at 845 Crossover Lane, Suite 140, Memphis, Tennessee 38117 (together with its successors and assigns, the "Holder"), the principal amount of **EIGHT HUNDRED THIRTY SIX THOUSAND FIVE HUNDRED NINETY DOLLARS (\$836,590)** together with interest as specified in §2 below. Simultaneously with the issuance of this Note to the Holder, the Company is issuing substantially identical notes (together with this Note, the "Notes") to parties listed on Annex A hereto (collectively, the "Other Holders", and including the Holder, the "Note Holders"), in the amounts reflected thereon.

§1. **Maturity; Waivers.** The entire principal amount hereof, and all unpaid interest thereon, shall automatically become due and payable on the sooner to occur of (i) 5:00 P.M., Redmond, Washington time on **September 30, 2000** (the "Maturity Date"), or (ii) the date of an Acceleration Event pursuant to (and as defined in) Section 7 hereof. The Company expressly waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, assent to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral and to the addition or release of any other party or person primarily or secondarily liable.

§2. **Interest.** This Note shall bear interest on the principal amount outstanding and unpaid from time to time at a rate of fourteen percent (14%) per annum. Interest shall be calculated on the basis of a 360-day year and paid for the actual number of days elapsed and shall be payable in arrears on the Maturity Date.

§3. **Payment; Prepayment.** The Company may not prepay, in whole or in part, the unpaid principal amount of this Note. Subject to the Subordination Agreement and except to the extent otherwise provided herein, (a) the Company shall not repay, purchase, redeem or otherwise acquire any Notes from any Note Holders thereof unless the Company shall have offered to repay, purchase, redeem or otherwise acquire, as the case may be, Notes from all Note holders at the time outstanding upon the same terms and conditions and on a pro rata basis in accordance with the respective unpaid principal amounts of the Notes held by each Note Holder, and (b) any payment of principal or interest shall be made for the accounts of the Note Holders pro rata in accordance with the respective unpaid principal amounts of the Notes held by each Note Holder. Subject to the Subordination Agreement, all payments to be made by the Company hereunder shall be made in U.S. dollars in immediately available funds, without setoff or counterclaim and without any withholding or deduction whatsoever.

§4. **Security Agreement.** In order to secure the due and prompt payment and performance of the obligations of the Company hereunder, the Company hereby pledges and assigns to the Holder, and grants to the Holder a second priority continuing security interest in and to, all of its rights, title and interests in and to all of the following properties, assets, rights and interests, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof (all of the same being hereinafter called the "Collateral"):

all personal property of every kind and nature, including without limitation all furniture, equipment, raw materials, inventory, goods, accounts, contract rights, rights to the payment of money, investment property, documents, instruments, deposit accounts, general intangibles, including without limitation all license fees, patents, patent applications, trademarks, trademark applications, trade names, copyrights, copyright applications, rights to sue and recover for past infringement of patents, trademarks and copyrights, computer programs, computer software, engineering drawings, service marks, customer lists, goodwill, and all licenses, permits, rights under license agreements, and all recorded data of any kind or nature, regardless of the medium of recording, including without limitation all software, writings, plans, specifications and schematics.

The Company hereby represents and warrants to the Holder that (a) the principal place of business of the Company is located at 18005 NE 68<sup>th</sup> Street, Suite A120, Redmond, Washington 98052, (b) all of the Collateral is located at the Company's principal place of business and (c) all of the books and records of the Company are kept at the Company's principal place of business.

Without the prior consent of the Holder, the Company agrees that it will not (a) sell, lease, license or otherwise transfer any of the Collateral (other than (i) sales or leases of inventory in the ordinary course of business and (ii) sales of obsolete equipment for fair value in the ordinary course of business), or (b) cause or permit to exist any lien, security interest or other encumbrances on any of the Collateral (other than (w) liens for taxes, assessments, or other governmental charges, levies or claims for amounts not yet due or being contested in good faith by appropriate proceedings, (x) liens of carriers, warehousemen, mechanics, laborers and materialmen (or similar liens) incurred in

the ordinary course of business, (y) liens incurred in the ordinary course of business in connection with worker's compensation, unemployment insurance, statutory obligations, social security legislation, or otherwise required by law as a condition precedent to the transaction of business or the exercise of any of the privileges or licenses of the Company, in each such case, so long as the underlying obligations are not then required to be paid, and (z) liens securing rental payments under capital lease arrangements (the items listed in the foregoing clauses (w), (x), (y) and (z), together with the Security Agreement referred to herein collectively as "Permitted Liens"). The Company shall provide to the Holder at least five (5) days' prior written notice of any change in the location of (i) any Collateral (other than with respect to inventory sold or leased in the ordinary course of business), (ii) the Company's principal place of business, or (iii) any of the Company's books and records.

The Company agrees to do and perform all actions and things reasonably requested by the Holder to protect and perfect the Holder's security interests in the Collateral, including, without limitation, executing all UCC financing statements, documents required to be filed with the United States Patent and Trademark Office, assignments, and similar instruments reasonably requested by the Holder. For so long as any amounts are outstanding under this Note, the Company hereby appoints the Holder as its irrevocable attorney-in-fact to do and perform all acts and things which the Company may be required to do under this Note, but which the Company shall fail to do promptly upon the request of the Holder.

Upon the occurrence of an Acceleration Event (as defined in §7 below), the Holder shall have all of the rights and remedies with respect to the Collateral of a secured party under the Uniform Commercial Code after default.

The Holder acknowledges that his rights under this §4 are subject to the similar rights of the Other Holders, and are to be treated *pari passu* therewith.

**§5. Representations and Warranties of the Company.** In order to induce the Holder to advance the principal amount hereof, the Company hereby represents and warrants to the Holder that, as of the date hereof:

**§5.1. Organization and Good Standing.** The Company is a duly organized and validly existing corporation organized under the laws of the State of Delaware and has the power to own its properties and to carry on its business as now conducted and as proposed to be conducted. The Company is duly qualified to do business and is in good standing as a foreign corporation in all jurisdictions in which the character of the properties owned or leased by it or the nature of its activities makes such qualification necessary, other than any jurisdictions in which the failure so to qualify or be in good standing would not, either, in any case or in the aggregate, have a material adverse effect upon the business, operations, assets, condition (financial or otherwise) or prospects of the Company.

**§5.2. Authorization.** The execution, issuance, delivery and performance by the Company of this Note (a) are within the Company's corporate power and authority, (b) have been duly authorized by all necessary corporate proceedings, and (c) do not conflict with or result in any breach of any provision of or the creation of any lien, security interest or other encumbrance upon any of the property of the Company, or, require any consent or approval pursuant to its charter, bylaws or any law, regulation, order, judgment, writ, injunction, license, permit, document, agreement or instrument binding upon the Company or upon any of its properties or assets.



**§5.3. Enforceability.** The execution, issuance and delivery of this Note by the Company are and will result in legally binding obligations of the Company, enforceable against it in accordance with the respective terms and provisions hereof.

**§5.4. Governmental Approvals.** The execution, issuance, delivery and performance by the Company of this Note do not and will not require the approval or consent of, or any filing with, any governmental authority or agency, other than filings required pursuant to applicable federal and state securities laws, except where a failure to obtain such approval or consent would not, either, in any case or in the aggregate, have a material adverse effect upon the business, operations, assets, condition (financial or otherwise) or prospects of the Company.

**§6. Covenants Applicable to the Company.**

(a) So long as any portion of this Note shall remain unpaid, the Company will deliver to the Holder (i) within 30 days after the end of each month commencing with the month ending June 30, 2000, the internal, unaudited balance sheet of the Company as of the end of each such month and the related statements of income, retained earnings and cash flows of the Company for such month and (ii) within 45 days after the end of each fiscal quarter of the Company, the internal, unaudited balance sheet of the Company as of the end of each such fiscal quarter, and the related statements of income, retained earnings and cash flows of the Company for such fiscal quarter.

(b) So long as any portion of this Note shall remain unpaid, the Company will not, without the prior written consent of the Holder, (i) enter into any transaction with any affiliate of the Company unless the monetary or business consideration arising therefrom would be as advantageous to the Company as the monetary or business consideration which would be obtained in a comparable arms-length transaction with an independent third party; other than the dividends and distributions described below or (ii) declare or pay any dividend on, make any distributions with respect to, or purchase or redeem, any capital stock of the Company; other than repurchases of capital stock owned by any management stockholder upon termination of his employment pursuant to the terms of such management stockholder's stock purchase or employment agreement with the Company and payments of cash dividends on the Company's preferred stock in accordance with the Company's charter as in effect on the date hereof.

(c) So long as any portion of this Note shall remain unpaid, the Company will not, without the prior written consent of the Holder, (a) become a party to any merger or consolidation; or (b) sell, lease, sublease or otherwise transfer or dispose of any portion of its assets with an aggregate value in excess of \$100,000 in any fiscal year (other than sales of assets in the ordinary course of business consistent with past practice). The Company will not (i) acquire all or substantially all of the capital stock or assets of any person or entity or (ii) acquire any assets outside the ordinary course of business.

**§7. Acceleration Events.** If any of the following events or circumstances (each an "Acceleration Event") shall occur except for the Company obtaining additional paid in capital with the issuance of debt and/or equity of the Company prior to October 1, 2000:

- (a) the Company shall fail to pay any amount of principal or interest or other amount (if any) within ten (10) days of the date on which such amount is due and payable hereunder; or
- (b) the Company shall fail to cure any breach of its other covenants, agreements or obligations hereunder within ten (10) days after written notice by the Holder to the Company specifying such breach; or
- (c) any representation or warranty made by the Company herein shall have been false in any material respect when made; or
- (d) the Company shall make an assignment for the benefit of creditors, or admit in writing its inability to pay or generally fail to pay its debts as they mature or become due, or shall petition or apply for the appointment of a trustee or other custodian, liquidator or receiver of the Company or of any substantial part of its assets, or shall commence any case or other proceeding relating to its assets under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law of any jurisdiction, or shall take any action to authorize or in furtherance of any of the foregoing; or any such petition or application shall be filed or any such case or other proceeding shall be commenced against the Company, and the same shall not have been dismissed within sixty (60) days of the filing or commencement thereof or the Company shall indicate its approval thereof, consent thereto or acquiescence therein; or a decree or order shall be entered appointing any such trustee, custodian, liquidator or receiver or adjudicating the Company bankrupt or insolvent, or approving a petition in any such case or other proceeding, or a decree or order for relief shall be entered in respect of the Company in an involuntary case under any such bankruptcy or insolvency laws; or
- (e) the Company shall take any corporate action to liquidate its assets or dissolve, or shall take any corporate action to consolidate or merge with or into any other corporation or business entity unless the Company shall be the surviving legal entity of such consolidation or merger or the surviving legal entity of such consolidation or merger shall have assumed in full by a written instrument the obligations under and in respect of this Note; or
- (f) in the event that the Company fails to accept and consummate, on or before the Maturity Date, a bona fide offer or offers from individual, institutional or venture capital investors to purchase a new series of preferred stock of the company upon commercially reasonable terms that would result in gross proceeds to the company equal to or in excess of \$3,000,000; or
- (g) in the event that there shall be a merger or consolidation of the Company with or into another company, the sale of all or substantially all of the Company's assets, or the sale of more than 50% of the voting capital stock of the Company; or
- (h) the issuance, delivery or sale or the authorization, proposal, or agreement or commitment to the issuance, delivery, or sale of any shares of the Company's capital stock of any class, or of any securities convertible into the Company's capital stock, or of any options, warrants, calls, conversion rights, commitments, agreements, contracts, understandings, restrictions, arrangements or rights of any character obligating the Company

to issue any such shares of capital stock, or convertible or other securities; provided, however, the provisions of this subparagraph (h) shall not be applicable to any transaction or series of transactions which in the aggregate involve or relate to, directly or indirectly, less than 15,000,000 (as such number may be adjusted for stock splits, stock dividends, recapitalizations or the like occurring after the date hereof) shares of the Company's capital stock (or other convertible securities of the Company); or

(i) the sale, lease, license, transfer, mortgage, encumbrance, or other disposition of all or substantially all of the Company's assets;

then, the Holder may, at its option at any time thereafter, declare the entire unpaid principal of this Note and all interest, fees and expenses (if any) payable on or in respect of this Note and the obligations evidenced hereby due and payable, and the same shall thereupon forthwith become and be due and payable to the Holder (an "Acceleration") without presentment, demand, protest, notice of protest or any other formalities of any kind, all of which are hereby expressly and irrevocably waived by the Company, provided that in the event of an Acceleration Event under §7(d) all such amounts shall become and be immediately due and payable, and an Acceleration shall be deemed for all purposes hereof to have occurred, automatically and without any requirement of notice from the Holder.

§8. **Subordination.** The Holder hereby agrees and acknowledges that the indebtedness represented by this Note and the security interest in certain of the Collateral granted hereunder shall be subordinate to the indebtedness of KeyBank National Association (the "Bank") incurred by the Company. The Holder (and each other holder of this Note, by his, her or its acceptance hereof) agrees to execute and deliver the Subordination Agreement in accordance with that First Amendment to Credit Agreement and Loan Documents of even date herewith between the Bank and the Company..

§9. **Miscellaneous.**

(a) If the last or appointed day for the taking of any action required or the expiration of any right granted herein shall be a Sunday or a Saturday or shall be a legal holiday or a day on which banking institutions in the City of Redmond, Washington, are authorized or required by law to remain closed, then such action may be taken or right may be exercised on the next succeeding day which is not a Sunday, a Saturday or a legal holiday and not a day on which banking institutions in the City of Redmond, Washington, are authorized or required by law to remain closed.

(b) **THIS NOTE SHALL BE BINDING UPON THE COMPANY'S SUCCESSORS IN TITLE AND ASSIGNS. THIS NOTE SHALL CONSTITUTE A CONTRACT UNDER SEAL AND, FOR ALL PURPOSES, SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS (WITHOUT REGARD TO THE LAWS OR RULES OF LAW APPLICABLE TO CONFLICT OR CHOICE OF LAW).**

(c) The Company hereby irrevocably waives notice of acceptance, presentment, notice of nonpayment, protest, notice of protest, suit and all other conditions precedent in connection with the delivery, acceptance, collection and/or enforcement of this Note or any

collateral or security therefor. The failure of the Holder to exercise any or all of its rights, remedies, powers or privileges hereunder in any instance shall not constitute a waiver thereof in that or any other instance.

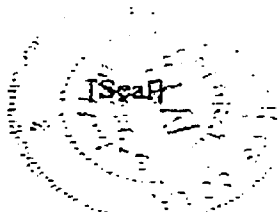
(d) In no event shall any interest charged, collected or reserved under this Note exceed the maximum rate then permitted by applicable law and if any such payment is paid by the Company, then such excess sum shall be credited by the Holder as a payment of principal.

(e) The Holder of this Note, by acceptance hereof, agrees that this Note is being acquired for investment for its own account and not with a view towards its distribution and that such holder will not offer, sell or otherwise dispose of this Note except under circumstances which will not result in a violation of the Securities Act and applicable state securities laws.

(f) The Company shall pay on demand all collection costs and expenses, including reasonable legal fees, incurred by the holder of this Note in enforcing payment hereof.

**§10. Expenses.** The Company hereby agrees to pay on demand all reasonable out-of-pocket expenses incurred by the Holder, in connection with the transactions contemplated by this Note and the filing of the security interests in connection herewith (including without limitation, the Holder's attorneys' fees, filing fees, and the cost of preparing and recording all documents) and in connection with any amendments, waivers or terminations hereof or thereof.

IN WITNESS WHEREOF, the Company has caused this Subordinated Promissory Note and Security Agreement to be signed in its corporate name and its corporate seal to be impressed hereon by its duly authorized officers.



Appian Graphics Corp.

By: 

Name: Richard Clark  
Title: President

The foregoing Subordinated Promissory Note and Security Agreement is hereby accepted and agreed to by the undersigned on and as of the date first above written.

SSM VENTURE PARTNERS II, L.P.

By: SSM II, L.P., its General Partner

By: SSM Corporation, its General  
Partner

By: \_\_\_\_\_  
William F. Harrison  
Vice President

BUSDOCS:867472.1

JUN 12 2000 15:46 FR BINGHAM DANA LLP 3 617 951 8736 TO 914258828618 P.20

IN WITNESS WHEREOF, the Company has caused this Subordinated Promissory Note and Security Agreement to be signed in its corporate name and its corporate seal to be impressed hereon by its duly authorized officers.

Appian Graphics Corp.

[Seal]

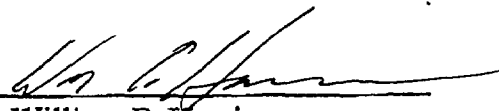
By: \_\_\_\_\_  
Name:  
Title:

The foregoing Subordinated Promissory Note and Security Agreement is hereby accepted and agreed to by the undersigned on and as of the date first above written.

SSM VENTURE PARTNERS II, L.P.

By: SSM II, L.P., its General Partner

By: SSM Corporation, its General  
Partner

By:   
William F. Harrison  
Vice President

<u>Other Holders</u>	<u>Amount</u>
GMN Investors II, L.P. 20 William Street, Suite 250 Wellesley, Massachusetts 02481	\$500,000
SSM Venture Partners II, L.P. 845 Crossover Lane Suite 140 Memphis, Tennessee 38117	\$836,590
SSM Venture Associates, L.P. 845 Crossover Lane Suite 140 Memphis, Tennessee 38117	\$163,410
Richard Berenson 39 Karen Road Newton, Massachusetts 02168	\$62,500

NEITHER THIS NOTE NOR THE SHARES ISSUABLE UPON EXERCISE OF THE CONVERSION RIGHTS SET FORTH IN THIS NOTE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND NEITHER THIS NOTE NOR THE SHARES ISSUABLE UPON EXERCISE OF THE CONVERSION RIGHTS SET FORTH IN THIS NOTE CAN BE SOLD OR TRANSFERRED UNLESS THE REGISTRATION PROVISIONS OF THE SAID ACT HAVE BEEN COMPLIED WITH OR UNLESS COMPLIANCE WITH SUCH PROVISIONS IS NOT REQUIRED.

PAYMENT OF PRINCIPAL, INTEREST AND OTHER AMOUNTS ON THIS INSTRUMENT IS SUBJECT TO THE PROVISIONS OF THAT CERTAIN SUBORDINATION AGREEMENT, DATED AS OF JUNE 19, 2000, AS AMENDED, RESTATED, SUPPLEMENTED OR OTHERWISE MODIFIED FROM TIME TO TIME (THE "SUBORDINATION AGREEMENT").

APPIAN GRAPHICS CORP.

SUBORDINATED PROMISSORY NOTE  
AND SECURITY AGREEMENT

\$163,410

Redmond, Washington  
June 19, 2000

FOR VALUE RECEIVED, upon the terms and subject to the conditions set forth in this subordinated promissory note and security agreement (this "Note"), **Appian Graphics Corp.**, a Delaware corporation, with its principal place of business at 18005 NE 68<sup>th</sup> Street, Suite A120, Redmond, Washington 98052 (the "Company"), absolutely and unconditionally promises to pay on or before the Maturity Date (as defined below), to the order of **SSM Venture Associates, L.P.**, with an address at 845 Crossover Lane, Suite 140, Memphis, Tennessee 38117 (together with its successors and assigns, the "Holder"), the principal amount of **ONE HUNDRED SIXTY THREE THOUSAND FOUR HUNDRED TEN DOLLARS (\$163,410)** together with interest as specified in §2 below. Simultaneously with the issuance of this Note to the Holder, the Company is issuing substantially identical notes (together with this Note, the "Notes") to parties listed on Annex A hereto (collectively, the "Other Holders", and including the Holder, the "Note Holders"), in the amounts reflected thereon.

§1. **Maturity; Waivers.** The entire principal amount hereof, and all unpaid interest thereon, shall automatically become due and payable on the sooner to occur of (i) 5:00 P.M., Redmond, Washington time on **September 30, 2000** (the "Maturity Date"), or (ii) the date of an Acceleration Event pursuant to (and as defined in) Section 7 hereof. The Company expressly waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, assent to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral and to the addition or release of any other party or person primarily or secondarily liable.



**§2. Interest.** This Note shall bear interest on the principal amount outstanding and unpaid from time to time at a rate of fourteen percent (14%) per annum. Interest shall be calculated on the basis of a 360-day year and paid for the actual number of days elapsed and shall be payable in arrears on the Maturity Date.

**§3. Payment; Prepayment.** The Company may not prepay, in whole or in part, the unpaid principal amount of this Note. Subject to the Subordination Agreement and except to the extent otherwise provided herein, (a) the Company shall not repay, purchase, redeem or otherwise acquire any Notes from any Note Holders thereof unless the Company shall have offered to repay, purchase, redeem or otherwise acquire, as the case may be, Notes from all Note holders at the time outstanding upon the same terms and conditions and on a pro rata basis in accordance with the respective unpaid principal amounts of the Notes held by each Note Holder, and (b) any payment of principal or interest shall be made for the accounts of the Note Holders pro rata in accordance with the respective unpaid principal amounts of the Notes held by each Note Holder. Subject to the Subordination Agreement, all payments to be made by the Company hereunder shall be made in U.S. dollars in immediately available funds, without setoff or counterclaim and without any withholding or deduction whatsoever.

**§4. Security Agreement.** In order to secure the due and prompt payment and performance of the obligations of the Company hereunder, the Company hereby pledges and assigns to the Holder, and grants to the Holder a second priority continuing security interest in and to, all of its rights, title and interests in and to all of the following properties, assets, rights and interests, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof (all of the same being hereinafter called the "Collateral"):

all personal property of every kind and nature, including without limitation all furniture, equipment, raw materials, inventory, goods, accounts, contract rights, rights to the payment of money, investment property, documents, instruments, deposit accounts, general intangibles, including without limitation all license fees, patents, patent applications, trademarks, trademark applications, trade names, copyrights, copyright applications, rights to sue and recover for past infringement of patents, trademarks and copyrights, computer programs, computer software, engineering drawings, service marks, customer lists, goodwill, and all licenses, permits, rights under license agreements, and all recorded data of any kind or nature, regardless of the medium of recording, including without limitation all software, writings, plans, specifications and schematics.

The Company hereby represents and warrants to the Holder that (a) the principal place of business of the Company is located at 18005 NE 68<sup>th</sup> Street, Suite A120, Redmond, Washington 98052, (b) all of the Collateral is located at the Company's principal place of business and (c) all of the books and records of the Company are kept at the Company's principal place of business.

Without the prior consent of the Holder, the Company agrees that it will not (a) sell, lease, license or otherwise transfer any of the Collateral (other than (i) sales or leases of inventory in the ordinary course of business and (ii) sales of obsolete equipment for fair value in the ordinary course of business), or (b) cause or permit to exist any lien, security interest or other encumbrances on any of the Collateral (other than (w) liens for taxes, assessments, or other governmental charges, levies or claims for amounts not yet due or being contested in good faith by appropriate proceedings, (x) liens of carriers, warehousemen, mechanics, laborers and materialmen (or similar liens) incurred in

the ordinary course of business, (y) liens incurred in the ordinary course of business in connection with worker's compensation, unemployment insurance, statutory obligations, social security legislation, or otherwise required by law as a condition precedent to the transaction of business or the exercise of any of the privileges or licenses of the Company, in each such case, so long as the underlying obligations are not then required to be paid, and (z) liens securing rental payments under capital lease arrangements (the items listed in the foregoing clauses (w), (x), (y) and (z), together with the Security Agreement referred to herein collectively as "Permitted Liens")). The Company shall provide to the Holder at least five (5) days' prior written notice of any change in the location of (i) any Collateral (other than with respect to inventory sold or leased in the ordinary course of business), (ii) the Company's principal place of business, or (iii) any of the Company's books and records.

The Company agrees to do and perform all actions and things reasonably requested by the Holder to protect and perfect the Holder's security interests in the Collateral, including, without limitation, executing all UCC financing statements, documents required to be filed with the United States Patent and Trademark Office, assignments, and similar instruments reasonably requested by the Holder. For so long as any amounts are outstanding under this Note, the Company hereby appoints the Holder as its irrevocable attorney-in-fact to do and perform all acts and things which the Company may be required to do under this Note, but which the Company shall fail to do promptly upon the request of the Holder.

Upon the occurrence of an Acceleration Event (as defined in §7 below), the Holder shall have all of the rights and remedies with respect to the Collateral of a secured party under the Uniform Commercial Code after default.

The Holder acknowledges that his rights under this §4 are subject to the similar rights of the Other Holders, and are to be treated *pari passu* therewith.

**§5. Representations and Warranties of the Company.** In order to induce the Holder to advance the principal amount hereof, the Company hereby represents and warrants to the Holder that, as of the date hereof:

**§5.1. Organization and Good Standing.** The Company is a duly organized and validly existing corporation organized under the laws of the State of Delaware and has the power to own its properties and to carry on its business as now conducted and as proposed to be conducted. The Company is duly qualified to do business and is in good standing as a foreign corporation in all jurisdictions in which the character of the properties owned or leased by it or the nature of its activities makes such qualification necessary, other than any jurisdictions in which the failure so to qualify or be in good standing would not, either, in any case or in the aggregate, have a material adverse effect upon the business, operations, assets, condition (financial or otherwise) or prospects of the Company.

**§5.2. Authorization.** The execution, issuance, delivery and performance by the Company of this Note (a) are within the Company's corporate power and authority, (b) have been duly authorized by all necessary corporate proceedings, and (c) do not conflict with or result in any breach of any provision of or the creation of any lien, security interest or other encumbrance upon any of the property of the Company, or, require any consent or approval pursuant to its charter, bylaws or any law, regulation, order, judgment, writ, injunction, license, permit, document, agreement or instrument binding upon the Company or upon any of its properties or assets.

**§5.3. Enforceability.** The execution, issuance and delivery of this Note by the Company are and will result in legally binding obligations of the Company, enforceable against it in accordance with the respective terms and provisions hereof.

**§5.4. Governmental Approvals.** The execution, issuance, delivery and performance by the Company of this Note do not and will not require the approval or consent of, or any filing with, any governmental authority or agency, other than filings required pursuant to applicable federal and state securities laws, except where a failure to obtain such approval or consent would not, either, in any case or in the aggregate, have a material adverse effect upon the business, operations, assets, condition (financial or otherwise) or prospects of the Company.

**§6. Covenants Applicable to the Company.**

(a) So long as any portion of this Note shall remain unpaid, the Company will deliver to the Holder (i) within 30 days after the end of each month commencing with the month ending June 30, 2000, the internal, unaudited balance sheet of the Company as of the end of each such month and the related statements of income, retained earnings and cash flows of the Company for such month and (ii) within 45 days after the end of each fiscal quarter of the Company, the internal, unaudited balance sheet of the Company as of the end of each such fiscal quarter, and the related statements of income, retained earnings and cash flows of the Company for such fiscal quarter.

(b) So long as any portion of this Note shall remain unpaid, the Company will not, without the prior written consent of the Holder, (i) enter into any transaction with any affiliate of the Company unless the monetary or business consideration arising therefrom would be as advantageous to the Company as the monetary or business consideration which would be obtained in a comparable arms-length transaction with an independent third party; other than the dividends and distributions described below or (ii) declare or pay any dividend on, make any distributions with respect to, or purchase or redeem, any capital stock of the Company; other than repurchases of capital stock owned by any management stockholder upon termination of his employment pursuant to the terms of such management stockholder's stock purchase or employment agreement with the Company and payments of cash dividends on the Company's preferred stock in accordance with the Company's charter as in effect on the date hereof.

(c) So long as any portion of this Note shall remain unpaid, the Company will not, without the prior written consent of the Holder, (a) become a party to any merger or consolidation; or (b) sell, lease, sublease or otherwise transfer or dispose of any portion of its assets with an aggregate value in excess of \$100,000 in any fiscal year (other than sales of assets in the ordinary course of business consistent with past practice). The Company will not (i) acquire all or substantially all of the capital stock or assets of any person or entity or (ii) acquire any assets outside the ordinary course of business.

**§7. Acceleration Events.** If any of the following events or circumstances (each an "Acceleration Event") shall occur except for the Company obtaining additional paid in capital with the issuance of debt and/or equity of the Company prior to October 1, 2000:

- (a) the Company shall fail to pay any amount of principal or interest or other amount (if any) within ten (10) days of the date on which such amount is due and payable hereunder; or
- (b) the Company shall fail to cure any breach of its other covenants, agreements or obligations hereunder within ten (10) days after written notice by the Holder to the Company specifying such breach; or
- (c) any representation or warranty made by the Company herein shall have been false in any material respect when made; or
- (d) the Company shall make an assignment for the benefit of creditors, or admit in writing its inability to pay or generally fail to pay its debts as they mature or become due, or shall petition or apply for the appointment of a trustee or other custodian, liquidator or receiver of the Company or of any substantial part of its assets, or shall commence any case or other proceeding relating to its assets under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law of any jurisdiction, or shall take any action to authorize or in furtherance of any of the foregoing; or any such petition or application shall be filed or any such case or other proceeding shall be commenced against the Company, and the same shall not have been dismissed within sixty (60) days of the filing or commencement thereof or the Company shall indicate its approval thereof, consent thereto or acquiescence therein; or a decree or order shall be entered appointing any such trustee, custodian, liquidator or receiver or adjudicating the Company bankrupt or insolvent, or approving a petition in any such case or other proceeding, or a decree or order for relief shall be entered in respect of the Company in an involuntary case under any such bankruptcy or insolvency laws; or
- (e) the Company shall take any corporate action to liquidate its assets or dissolve, or shall take any corporate action to consolidate or merge with or into any other corporation or business entity unless the Company shall be the surviving legal entity of such consolidation or merger or the surviving legal entity of such consolidation or merger shall have assumed in full by a written instrument the obligations under and in respect of this Note; or
- (f) in the event that the Company fails to accept and consummate, on or before the Maturity Date, a bona fide offer or offers from individual, institutional or venture capital investors to purchase a new series of preferred stock of the company upon commercially reasonable terms that would result in gross proceeds to the company equal to or in excess of \$3,000,000; or
- (g) in the event that there shall be a merger or consolidation of the Company with or into another company, the sale of all or substantially all of the Company's assets, or the sale of more than 50% of the voting capital stock of the Company; or
- (h) the issuance, delivery or sale or the authorization, proposal, or agreement or commitment to the issuance, delivery, or sale of any shares of the Company's capital stock of any class, or of any securities convertible into the Company's capital stock, or of any options, warrants, calls, conversion rights, commitments, agreements, contracts, understandings, restrictions, arrangements or rights of any character obligating the Company

to issue any such shares of capital stock, or convertible or other securities; provided, however, the provisions of this subparagraph (h) shall not be applicable to any transaction or series of transactions which in the aggregate involve or relate to, directly or indirectly, less than 15,000,000 (as such number may be adjusted for stock splits, stock dividends, recapitalizations or the like occurring after the date hereof) shares of the Company's capital stock (or other convertible securities of the Company); or

(i) the sale, lease, license, transfer, mortgage, encumbrance, or other disposition of all or substantially all of the Company's assets;

then, the Holder may, at its option at any time thereafter, declare the entire unpaid principal of this Note and all interest, fees and expenses (if any) payable on or in respect of this Note and the obligations evidenced hereby due and payable, and the same shall thereupon forthwith become and be due and payable to the Holder (an "Acceleration") without presentment, demand, protest, notice of protest or any other formalities of any kind, all of which are hereby expressly and irrevocably waived by the Company, provided that in the event of an Acceleration Event under §7(d) all such amounts shall become and be immediately due and payable, and an Acceleration shall be deemed for all purposes hereof to have occurred, automatically and without any requirement of notice from the Holder.

§8. **Subordination.** The Holder hereby agrees and acknowledges that the indebtedness represented by this Note and the security interest in certain of the Collateral granted hereunder shall be subordinate to the indebtedness of KeyBank National Association (the "Bank") incurred by the Company. The Holder (and each other holder of this Note, by his, her or its acceptance hereof) agrees to execute and deliver the Subordination Agreement in accordance with that First Amendment to Credit Agreement and Loan Documents of even date herewith between the Bank and the Company..

§9. **Miscellaneous.**

(a) If the last or appointed day for the taking of any action required or the expiration of any right granted herein shall be a Sunday or a Saturday or shall be a legal holiday or a day on which banking institutions in the City of Redmond, Washington, are authorized or required by law to remain closed, then such action may be taken or right may be exercised on the next succeeding day which is not a Sunday, a Saturday or a legal holiday and not a day on which banking institutions in the City of Redmond, Washington, are authorized or required by law to remain closed.

(b) **THIS NOTE SHALL BE BINDING UPON THE COMPANY'S SUCCESSORS IN TITLE AND ASSIGNS. THIS NOTE SHALL CONSTITUTE A CONTRACT UNDER SEAL AND, FOR ALL PURPOSES, SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS (WITHOUT REGARD TO THE LAWS OR RULES OF LAW APPLICABLE TO CONFLICT OR CHOICE OF LAW).**

(c) The Company hereby irrevocably waives notice of acceptance, presentment, notice of nonpayment, protest, notice of protest, suit and all other conditions precedent in connection with the delivery, acceptance, collection and/or enforcement of this Note or any

collateral or security therefor. The failure of the Holder to exercise any or all of its rights, remedies, powers or privileges hereunder in any instance shall not constitute a waiver thereof in that or any other instance.

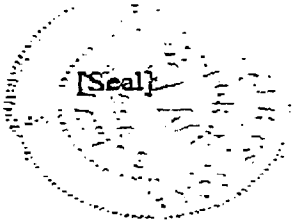
(d) In no event shall any interest charged, collected or reserved under this Note exceed the maximum rate then permitted by applicable law and if any such payment is paid by the Company, then such excess sum shall be credited by the Holder as a payment of principal.

(e) The Holder of this Note, by acceptance hereof, agrees that this Note is being acquired for investment for its own account and not with a view towards its distribution and that such holder will not offer, sell or otherwise dispose of this Note except under circumstances which will not result in a violation of the Securities Act and applicable state securities laws.

(f) The Company shall pay on demand all collection costs and expenses, including reasonable legal fees, incurred by the holder of this Note in enforcing payment hereof.

**§10. Expenses.** The Company hereby agrees to pay on demand all reasonable out-of-pocket expenses incurred by the Holder, in connection with the transactions contemplated by this Note and the filing of the security interests in connection herewith (including without limitation, the Holder's attorneys' fees, filing fees, and the cost of preparing and recording all documents) and in connection with any amendments, waivers or terminations hereof or thereof.

IN WITNESS WHEREOF, the Company has caused this Subordinated Promissory Note and Security Agreement to be signed in its corporate name and its corporate seal to be impressed hereon by its duly authorized officers.



Appian Graphics Corp.

By: [Signature]  
Name: Richard Clark  
Title: President

The foregoing Subordinated Promissory Note and Security Agreement is hereby accepted and agreed to by the undersigned on and as of the date first above written.

SSM VENTURE ASSOCIATES, L.P.

By: SSM II, L.P., its General Partner

By: SSM Corporation, its General  
Partner

By: [Signature]  
William F. Harrison  
Vice President

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IN WITNESS WHEREOF, the Company has caused this Subordinated Promissory Note and Security Agreement to be signed in its corporate name and its corporate seal to be impressed hereon by its duly authorized officers.

**Appian Graphics Corp.**

[Seal]

By: \_\_\_\_\_  
 Name:  
 Title:

The foregoing Subordinated Promissory Note and Security Agreement is hereby accepted and agreed to by the undersigned on and as of the date first above written.

**SSM VENTURE ASSOCIATES, L.P.**

By: SSM II, L.P., its General Partner

By: SSM Corporation, its General  
 Partner

By: William F. Harrison  
 William F. Harrison  
 Vice President



<u>Other Holders</u>	<u>Amount</u>
GMN Investors II, L.P. 20 William Street, Suite 250 Wellesley, Massachusetts 02481	\$500,000
SSM Venture Partners II, L.P. 845 Crossover Lane Suite 140 Memphis, Tennessee 38117	\$836,590
SSM Venture Associates, L.P. 845 Crossover Lane Suite 140 Memphis, Tennessee 38117	\$163,410
Richard Berenson 39 Karen Road Newton, Massachusetts 02168	\$62,500

NEITHER THIS NOTE NOR THE SHARES ISSUABLE UPON EXERCISE OF THE CONVERSION RIGHTS SET FORTH IN THIS NOTE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND NEITHER THIS NOTE NOR THE SHARES ISSUABLE UPON EXERCISE OF THE CONVERSION RIGHTS SET FORTH IN THIS NOTE CAN BE SOLD OR TRANSFERRED UNLESS THE REGISTRATION PROVISIONS OF THE SAID ACT HAVE BEEN COMPLIED WITH OR UNLESS COMPLIANCE WITH SUCH PROVISIONS IS NOT REQUIRED.

PAYMENT OF PRINCIPAL, INTEREST AND OTHER AMOUNTS ON THIS INSTRUMENT IS SUBJECT TO THE PROVISIONS OF THAT CERTAIN SUBORDINATION AGREEMENT, DATED AS OF JUNE 19, 2000, AS AMENDED, RESTATED, SUPPLEMENTED OR OTHERWISE MODIFIED FROM TIME TO TIME (THE "SUBORDINATION AGREEMENT").

APPIAN GRAPHICS CORP.

SUBORDINATED PROMISSORY NOTE  
AND SECURITY AGREEMENT

\$6,250

Redmond, Washington  
June 19, 2000

FOR VALUE RECEIVED, upon the terms and subject to the conditions set forth in this subordinated promissory note and security agreement (this "Note"), Appian Graphics Corp., a Delaware corporation, with its principal place of business at 18005 NE 68<sup>th</sup> Street, Suite A120, Redmond, Washington 98052 (the "Company"), absolutely and unconditionally promises to pay on or before the Maturity Date (as defined below), to the order of Richard Berenson, with an address at 39 Karen Road, Newton, Massachusetts 02168 (together with his successors and assigns, the "Holder"), the principal amount of SIX THOUSAND TWO HUNDRED FIFTY DOLLARS (\$6,250) together with interest as specified in §2 below. Simultaneously with the issuance of this Note to the Holder, the Company is issuing substantially identical notes (together with this Note, the "Notes") to parties listed on Annex A hereto (collectively, the "Other Holders", and including the Holder, the "Note Holders"), in the amounts reflected thereon.

§1. **Maturity; Waivers.** The entire principal amount hereof, and all unpaid interest thereon, shall automatically become due and payable on the sooner to occur of (i) 5:00 P.M., Redmond, Washington time on September 30, 2000 (the "Maturity Date"), or (ii) the date of an Acceleration Event pursuant to (and as defined in) Section 7 hereof. The Company expressly waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, assent to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral and to the addition or release of any other party or person primarily or secondarily liable.

**§2. Interest.** This Note shall bear interest on the principal amount outstanding and unpaid from time to time at a rate of fourteen percent (14%) per annum. Interest shall be calculated on the basis of a 360-day year and paid for the actual number of days elapsed and shall be payable in arrears on the Maturity Date.

**§3. Payment; Prepayment.** The Company may not prepay, in whole or in part, the unpaid principal amount of this Note. Subject to the Subordination Agreement and except to the extent otherwise provided herein, (a) the Company shall not repay, purchase, redeem or otherwise acquire any Notes from any Note Holders thereof unless the Company shall have offered to repay, purchase, redeem or otherwise acquire, as the case may be, Notes from all Note holders at the time outstanding upon the same terms and conditions and on a pro rata basis in accordance with the respective unpaid principal amounts of the Notes held by each Note Holder, and (b) any payment of principal or interest shall be made for the accounts of the Note Holders pro rata in accordance with the respective unpaid principal amounts of the Notes held by each Note Holder. Subject to the Subordination Agreement, all payments to be made by the Company hereunder shall be made in U.S. dollars in immediately available funds, without setoff or counterclaim and without any withholding or deduction whatsoever.

**§4. Security Agreement.** In order to secure the due and prompt payment and performance of the obligations of the Company hereunder, the Company hereby pledges and assigns to the Holder, and grants to the Holder a second priority continuing security interest in and to, all of its rights, title and interests in and to all of the following properties, assets, rights and interests, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof (all of the same being hereinafter called the "Collateral"):

all personal property of every kind and nature, including without limitation all furniture, equipment, raw materials, inventory, goods, accounts, contract rights, rights to the payment of money, investment property, documents, instruments, deposit accounts, general intangibles, including without limitation all license fees, patents, patent applications, trademarks, trademark applications, trade names, copyrights, copyright applications, rights to sue and recover for past infringement of patents, trademarks and copyrights, computer programs, computer software, engineering drawings, service marks, customer lists, goodwill, and all licenses, permits, rights under license agreements, and all recorded data of any kind or nature, regardless of the medium of recording, including without limitation all software, writings, plans, specifications and schematics.

The Company hereby represents and warrants to the Holder that (a) the principal place of business of the Company is located at 18005 NE 68<sup>th</sup> Street, Suite A120, Redmond, Washington 98052, (b) all of the Collateral is located at the Company's principal place of business and (c) all of the books and records of the Company are kept at the Company's principal place of business.

Without the prior consent of the Holder, the Company agrees that it will not (a) sell, lease, license or otherwise transfer any of the Collateral (other than (i) sales or leases of inventory in the ordinary course of business and (ii) sales of obsolete equipment for fair value in the ordinary course of business), or (b) cause or permit to exist any lien, security interest or other encumbrances on any of the Collateral (other than (w) liens for taxes, assessments, or other governmental charges, levies or claims for amounts not yet due or being contested in good faith by appropriate proceedings, (x) liens of carriers, warehousemen, mechanics, laborers and materialmen (or similar liens) incurred in

the ordinary course of business, (y) liens incurred in the ordinary course of business in connection with worker's compensation, unemployment insurance, statutory obligations, social security legislation, or otherwise required by law as a condition precedent to the transaction of business or the exercise of any of the privileges or licenses of the Company, in each such case, so long as the underlying obligations are not then required to be paid, and (z) liens securing rental payments under capital lease arrangements (the items listed in the foregoing clauses (w), (x), (y) and (z), together with the Security Agreement referred to herein collectively as "Permitted Liens"). The Company shall provide to the Holder at least five (5) days' prior written notice of any change in the location of (i) any Collateral (other than with respect to inventory sold or leased in the ordinary course of business), (ii) the Company's principal place of business, or (iii) any of the Company's books and records.

The Company agrees to do and perform all actions and things reasonably requested by the Holder to protect and perfect the Holder's security interests in the Collateral, including, without limitation, executing all UCC financing statements, documents required to be filed with the United States Patent and Trademark Office, assignments, and similar instruments reasonably requested by the Holder. For so long as any amounts are outstanding under this Note, the Company hereby appoints the Holder as its irrevocable attorney-in-fact to do and perform all acts and things which the Company may be required to do under this Note, but which the Company shall fail to do promptly upon the request of the Holder.

Upon the occurrence of an Acceleration Event (as defined in §7 below), the Holder shall have all of the rights and remedies with respect to the Collateral of a secured party under the Uniform Commercial Code after default.

The Holder acknowledges that his rights under this §4 are subject to the similar rights of the Other Holders, and are to be treated *pari passu* therewith.

**§5. Representations and Warranties of the Company.** In order to induce the Holder to advance the principal amount hereof, the Company hereby represents and warrants to the Holder that, as of the date hereof:

**§5.1. Organization and Good Standing.** The Company is a duly organized and validly existing corporation organized under the laws of the State of Delaware and has the power to own its properties and to carry on its business as now conducted and as proposed to be conducted. The Company is duly qualified to do business and is in good standing as a foreign corporation in all jurisdictions in which the character of the properties owned or leased by it or the nature of its activities makes such qualification necessary, other than any jurisdictions in which the failure so to qualify or be in good standing would not, either, in any case or in the aggregate, have a material adverse effect upon the business, operations, assets, condition (financial or otherwise) or prospects of the Company.

**§5.2. Authorization.** The execution, issuance, delivery and performance by the Company of this Note (a) are within the Company's corporate power and authority, (b) have been duly authorized by all necessary corporate proceedings, and (c) do not conflict with or result in any breach of any provision of or the creation of any lien, security interest or other encumbrance upon any of the property of the Company, or, require any consent or approval pursuant to its charter, bylaws or any law, regulation, order, judgment, writ, injunction, license, permit, document, agreement or instrument binding upon the Company or upon any of its properties or assets.

**§5.3. Enforceability.** The execution, issuance and delivery of this Note by the Company are and will result in legally binding obligations of the Company, enforceable against it in accordance with the respective terms and provisions hereof.

**§5.4. Governmental Approvals.** The execution, issuance, delivery and performance by the Company of this Note do not and will not require the approval or consent of, or any filing with, any governmental authority or agency, other than filings required pursuant to applicable federal and state securities laws, except where a failure to obtain such approval or consent would not, either, in any case or in the aggregate, have a material adverse effect upon the business, operations, assets, condition (financial or otherwise) or prospects of the Company.

**§6. Covenants Applicable to the Company.**

(a) So long as any portion of this Note shall remain unpaid, the Company will deliver to the Holder (i) within 30 days after the end of each month commencing with the month ending June 30, 2000, the internal, unaudited balance sheet of the Company as of the end of each such month and the related statements of income, retained earnings and cash flows of the Company for such month and (ii) within 45 days after the end of each fiscal quarter of the Company, the internal, unaudited balance sheet of the Company as of the end of each such fiscal quarter, and the related statements of income, retained earnings and cash flows of the Company for such fiscal quarter.

(b) So long as any portion of this Note shall remain unpaid, the Company will not, without the prior written consent of the Holder, (i) enter into any transaction with any affiliate of the Company unless the monetary or business consideration arising therefrom would be as advantageous to the Company as the monetary or business consideration which would be obtained in a comparable arms-length transaction with an independent third party; other than the dividends and distributions described below or (ii) declare or pay any dividend on, make any distributions with respect to, or purchase or redeem, any capital stock of the Company; other than repurchases of capital stock owned by any management stockholder upon termination of his employment pursuant to the terms of such management stockholder's stock purchase or employment agreement with the Company and payments of cash dividends on the Company's preferred stock in accordance with the Company's charter as in effect on the date hereof.

(c) So long as any portion of this Note shall remain unpaid, the Company will not, without the prior written consent of the Holder, (a) become a party to any merger or consolidation; or (b) sell, lease, sublease or otherwise transfer or dispose of any portion of its assets with an aggregate value in excess of \$100,000 in any fiscal year (other than sales of assets in the ordinary course of business consistent with past practice). The Company will not (i) acquire all or substantially all of the capital stock or assets of any person or entity or (ii) acquire any assets outside the ordinary course of business.

**§7. Acceleration Events.** If any of the following events or circumstances (each an "Acceleration Event") shall occur except for the Company obtaining additional paid in capital with the issuance of debt and/or equity of the Company prior to October 1, 2000:

- (a) the Company shall fail to pay any amount of principal or interest or other amount (if any) within ten (10) days of the date on which such amount is due and payable hereunder; or
- (b) the Company shall fail to cure any breach of its other covenants, agreements or obligations hereunder within ten (10) days after written notice by the Holder to the Company specifying such breach; or
- (c) any representation or warranty made by the Company herein shall have been false in any material respect when made; or
- (d) the Company shall make an assignment for the benefit of creditors, or admit in writing its inability to pay or generally fail to pay its debts as they mature or become due, or shall petition or apply for the appointment of a trustee or other custodian, liquidator or receiver of the Company or of any substantial part of its assets, or shall commence any case or other proceeding relating to its assets under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law of any jurisdiction, or shall take any action to authorize or in furtherance of any of the foregoing; or any such petition or application shall be filed or any such case or other proceeding shall be commenced against the Company, and the same shall not have been dismissed within sixty (60) days of the filing or commencement thereof or the Company shall indicate its approval thereof, consent thereto or acquiescence therein; or a decree or order shall be entered appointing any such trustee, custodian, liquidator or receiver or adjudicating the Company bankrupt or insolvent, or approving a petition in any such case or other proceeding, or a decree or order for relief shall be entered in respect of the Company in an involuntary case under any such bankruptcy or insolvency laws; or
- (e) the Company shall take any corporate action to liquidate its assets or dissolve, or shall take any corporate action to consolidate or merge with or into any other corporation or business entity unless the Company shall be the surviving legal entity of such consolidation or merger or the surviving legal entity of such consolidation or merger shall have assumed in full by a written instrument the obligations under and in respect of this Note; or
- (f) in the event that the Company fails to accept and consummate, on or before the Maturity Date, a bona fide offer or offers from individual, institutional or venture capital investors to purchase a new series of preferred stock of the company upon commercially reasonable terms that would result in gross proceeds to the company equal to or in excess of \$3,000,000; or
- (g) in the event that there shall be a merger or consolidation of the Company with or into another company, the sale of all or substantially all of the Company's assets, or the sale of more than 50% of the voting capital stock of the Company; or
- (h) the issuance, delivery or sale or the authorization, proposal, or agreement or commitment to the issuance, delivery, or sale of any shares of the Company's capital stock of any class, or of any securities convertible into the Company's capital stock, or of any options, warrants, calls, conversion rights, commitments, agreements, contracts, understandings, restrictions, arrangements or rights of any character obligating the Company

to issue any such shares of capital stock, or convertible or other securities; provided, however, the provisions of this subparagraph (h) shall not be applicable to any transaction or series of transactions which in the aggregate involve or relate to, directly or indirectly, less than 15,000,000 (as such number may be adjusted for stock splits, stock dividends, recapitalizations or the like occurring after the date hereof) shares of the Company's capital stock (or other convertible securities of the Company); or

(i) the sale, lease, license, transfer, mortgage, encumbrance, or other disposition of all or substantially all of the Company's assets;

then, the Holder may, at its option at any time thereafter, declare the entire unpaid principal of this Note and all interest, fees and expenses (if any) payable on or in respect of this Note and the obligations evidenced hereby due and payable, and the same shall thereupon forthwith become and be due and payable to the Holder (an "Acceleration") without presentment, demand, protest, notice of protest or any other formalities of any kind, all of which are hereby expressly and irrevocably waived by the Company, provided that in the event of an Acceleration Event under §7(d) all such amounts shall become and be immediately due and payable, and an Acceleration shall be deemed for all purposes hereof to have occurred, automatically and without any requirement of notice from the Holder.

§8. **Subordination.** The Holder hereby agrees and acknowledges that the indebtedness represented by this Note and the security interest in certain of the Collateral granted hereunder shall be subordinate to the indebtedness of KeyBank National Association (the "Bank") incurred by the Company. The Holder (and each other holder of this Note, by his, her or its acceptance hereof) agrees to execute and deliver the Subordination Agreement in accordance with that First Amendment to Credit Agreement and Loan Documents of even date herewith between the Bank and the Company..

§9. **Miscellaneous.**

(a) If the last or appointed day for the taking of any action required or the expiration of any right granted herein shall be a Sunday or a Saturday or shall be a legal holiday or a day on which banking institutions in the City of Redmond, Washington, are authorized or required by law to remain closed, then such action may be taken or right may be exercised on the next succeeding day which is not a Sunday, a Saturday or a legal holiday and not a day on which banking institutions in the City of Redmond, Washington, are authorized or required by law to remain closed.

(b) **THIS NOTE SHALL BE BINDING UPON THE COMPANY'S SUCCESSORS IN TITLE AND ASSIGNS. THIS NOTE SHALL CONSTITUTE A CONTRACT UNDER SEAL AND, FOR ALL PURPOSES, SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS (WITHOUT REGARD TO THE LAWS OR RULES OF LAW APPLICABLE TO CONFLICT OR CHOICE OF LAW).**

(c) The Company hereby irrevocably waives notice of acceptance, presentment, notice of nonpayment, protest, notice of protest, suit and all other conditions precedent in connection with the delivery, acceptance, collection and/or enforcement of this Note or any

collateral or security therefor. The failure of the Holder to exercise any or all of its rights, remedies, powers or privileges hereunder in any instance shall not constitute a waiver thereof in that or any other instance.

(d) In no event shall any interest charged, collected or reserved under this Note exceed the maximum rate then permitted by applicable law and if any such payment is paid by the Company, then such excess sum shall be credited by the Holder as a payment of principal.

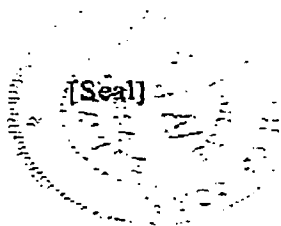
(e) The Holder of this Note, by acceptance hereof, agrees that this Note is being acquired for investment for its own account and not with a view towards its distribution and that such holder will not offer, sell or otherwise dispose of this Note except under circumstances which will not result in a violation of the Securities Act and applicable state securities laws.

(f) The Company shall pay on demand all collection costs and expenses, including reasonable legal fees, incurred by the holder of this Note in enforcing payment hereof.

**§10. Expenses.** The Company hereby agrees to pay on demand all reasonable out-of-pocket expenses incurred by the Holder, in connection with the transactions contemplated by this Note and the filing of the security interests in connection herewith (including without limitation, the Holder's attorneys' fees, filing fees, and the cost of preparing and recording all documents) and in connection with any amendments, waivers or terminations hereof or thereof.



**IN WITNESS WHEREOF**, the Company has caused this Subordinated Promissory Note and Security Agreement to be signed in its corporate name and its corporate seal to be impressed hereon by its duly authorized officers.



**Appian Graphics Corp.**

By: \_\_\_\_\_

Name: Rich Clark

Title: President

The foregoing Subordinated Promissory Note and Security Agreement is hereby accepted and agreed to by the undersigned on and as of the date first above written.

By: \_\_\_\_\_  
Richard Berenson

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JUN 12 2000 15:45 FR BINGHAM DANA LLP 3 617 951 8736 TO 914258828618 P.18

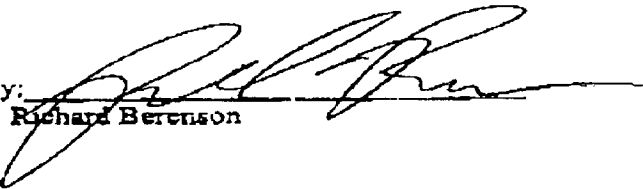
**IN WITNESS WHEREOF**, the Company has caused this Subordinated Promissory Note and Security Agreement to be signed in its corporate name and its corporate seal to be impressed hereon by its duly authorized officers.

**Applan Graphics Corp.**

[Seal]

By: \_\_\_\_\_  
Name:  
Title:

The foregoing Subordinated Promissory Note and Security Agreement is hereby accepted and agreed to by the undersigned on and as of the date first above written.

By:   
Richard Berenson

BUSDOCS:867473.1

NO.067 P.8

BINSHAW GANG LLP

JUN.12.2000 3:50PM

<u>Other Holders</u>	<u>Amount</u>
GMN Investors II, L.P. 20 William Street, Suite 250 Wellesley, Massachusetts 02481	\$500,000
SSM Venture Partners II, L.P. 845 Crossover Lane Suite 140 Memphis, Tennessee 38117	\$836,590
SSM Venture Associates, L.P. 845 Crossover Lane Suite 140 Memphis, Tennessee 38117	\$163,410
Richard Berenson 39 Karen Road Newton, Massachusetts 02168	\$6,250

NEITHER THIS NOTE NOR THE SHARES ISSUABLE UPON EXERCISE OF THE CONVERSION RIGHTS SET FORTH IN THIS NOTE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND NEITHER THIS NOTE NOR THE SHARES ISSUABLE UPON EXERCISE OF THE CONVERSION RIGHTS SET FORTH IN THIS NOTE CAN BE SOLD OR TRANSFERRED UNLESS THE REGISTRATION PROVISIONS OF THE SAID ACT HAVE BEEN COMPLIED WITH OR UNLESS COMPLIANCE WITH SUCH PROVISIONS IS NOT REQUIRED.

PAYMENT OF PRINCIPAL, INTEREST AND OTHER AMOUNTS ON THIS INSTRUMENT IS SUBJECT TO THE PROVISIONS OF THAT CERTAIN SUBORDINATION AGREEMENT, DATED AS OF JUNE 19, 2000, AS AMENDED, RESTATED, SUPPLEMENTED OR OTHERWISE MODIFIED FROM TIME TO TIME (THE "SUBORDINATION AGREEMENT").

APPIAN GRAPHICS CORP.

SUBORDINATED PROMISSORY NOTE  
AND SECURITY AGREEMENT

\$163,410

Redmond, Washington  
June 19, 2000

**FOR VALUE RECEIVED**, upon the terms and subject to the conditions set forth in this subordinated promissory note and security agreement (this "Note"), **Appian Graphics Corp.**, a Delaware corporation, with its principal place of business at 18005 NE 68<sup>th</sup> Street, Suite A120, Redmond, Washington 98052 (the "Company"), absolutely and unconditionally promises to pay on or before the Maturity Date (as defined below), to the order of **SSM Venture Associates, L.P.**, with an address at 845 Crossover Lane, Suite 140, Memphis, Tennessee 38117 (together with its successors and assigns, the "Holder"), the principal amount of **ONE HUNDRED SIXTY THREE THOUSAND FOUR HUNDRED TEN DOLLARS (\$163,410)** together with interest as specified in §2 below. Simultaneously with the issuance of this Note to the Holder, the Company is issuing substantially identical notes (together with this Note, the "Notes") to parties listed on Annex A hereto (collectively, the "Other Holders", and including the Holder, the "Note Holders"), in the amounts reflected thereon.

§1. **Maturity; Waivers.** The entire principal amount hereof, and all unpaid interest thereon, shall automatically become due and payable on the sooner to occur of (i) 5:00 P.M., Redmond, Washington time on **September 30, 2000** (the "Maturity Date"), or (ii) the date of an Acceleration Event pursuant to (and as defined in) Section 7 hereof. The Company expressly waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, assent to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral and to the addition or release of any other party or person primarily or secondarily liable.

**§2. Interest.** This Note shall bear interest on the principal amount outstanding and unpaid from time to time at a rate of fourteen percent (14%) per annum. Interest shall be calculated on the basis of a 360-day year and paid for the actual number of days elapsed and shall be payable in arrears on the Maturity Date.

**§3. Payment; Prepayment.** The Company may not prepay, in whole or in part, the unpaid principal amount of this Note. Subject to the Subordination Agreement and except to the extent otherwise provided herein, (a) the Company shall not repay, purchase, redeem or otherwise acquire any Notes from any Note Holders thereof unless the Company shall have offered to repay, purchase, redeem or otherwise acquire, as the case may be, Notes from all Note holders at the time outstanding upon the same terms and conditions and on a pro rata basis in accordance with the respective unpaid principal amounts of the Notes held by each Note Holder, and (b) any payment of principal or interest shall be made for the accounts of the Note Holders pro rata in accordance with the respective unpaid principal amounts of the Notes held by each Note Holder. Subject to the Subordination Agreement, all payments to be made by the Company hereunder shall be made in U.S. dollars in immediately available funds, without setoff or counterclaim and without any withholding or deduction whatsoever.

**§4. Security Agreement.** In order to secure the due and prompt payment and performance of the obligations of the Company hereunder, the Company hereby pledges and assigns to the Holder, and grants to the Holder a second priority continuing security interest in and to, all of its rights, title and interests in and to all of the following properties, assets, rights and interests, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof (all of the same being hereinafter called the "Collateral"):

all personal property of every kind and nature, including without limitation all furniture, equipment, raw materials, inventory, goods, accounts, contract rights, rights to the payment of money, investment property, documents, instruments, deposit accounts, general intangibles, including without limitation all license fees, patents, patent applications, trademarks, trademark applications, trade names, copyrights, copyright applications, rights to sue and recover for past infringement of patents, trademarks and copyrights, computer programs, computer software, engineering drawings, service marks, customer lists, goodwill, and all licenses, permits, rights under license agreements, and all recorded data of any kind or nature, regardless of the medium of recording, including without limitation all software, writings, plans, specifications and schematics.

The Company hereby represents and warrants to the Holder that (a) the principal place of business of the Company is located at 18005 NE 68<sup>th</sup> Street, Suite A120, Redmond, Washington 98052, (b) all of the Collateral is located at the Company's principal place of business and (c) all of the books and records of the Company are kept at the Company's principal place of business.

Without the prior consent of the Holder, the Company agrees that it will not (a) sell, lease, license or otherwise transfer any of the Collateral (other than (i) sales or leases of inventory in the ordinary course of business and (ii) sales of obsolete equipment for fair value in the ordinary course of business), or (b) cause or permit to exist any lien, security interest or other encumbrances on any of the Collateral (other than (w) liens for taxes, assessments, or other governmental charges, levies or claims for amounts not yet due or being contested in good faith by appropriate proceedings, (x) liens of carriers, warehousemen, mechanics, laborers and materialmen (or similar liens) incurred in

the ordinary course of business, (y) liens incurred in the ordinary course of business in connection with worker's compensation, unemployment insurance, statutory obligations, social security legislation, or otherwise required by law as a condition precedent to the transaction of business or the exercise of any of the privileges or licenses of the Company, in each such case, so long as the underlying obligations are not then required to be paid, and (z) liens securing rental payments under capital lease arrangements (the items listed in the foregoing clauses (w), (x), (y) and (z), together with the Security Agreement referred to herein collectively as "Permitted Liens"). The Company shall provide to the Holder at least five (5) days' prior written notice of any change in the location of (i) any Collateral (other than with respect to inventory sold or leased in the ordinary course of business), (ii) the Company's principal place of business, or (iii) any of the Company's books and records.

The Company agrees to do and perform all actions and things reasonably requested by the Holder to protect and perfect the Holder's security interests in the Collateral, including, without limitation, executing all UCC financing statements, documents required to be filed with the United States Patent and Trademark Office, assignments, and similar instruments reasonably requested by the Holder. For so long as any amounts are outstanding under this Note, the Company hereby appoints the Holder as its irrevocable attorney-in-fact to do and perform all acts and things which the Company may be required to do under this Note, but which the Company shall fail to do promptly upon the request of the Holder.

Upon the occurrence of an Acceleration Event (as defined in §7 below), the Holder shall have all of the rights and remedies with respect to the Collateral of a secured party under the Uniform Commercial Code after default.

The Holder acknowledges that his rights under this §4 are subject to the similar rights of the Other Holders, and are to be treated *pari passu* therewith.

**§5. Representations and Warranties of the Company.** In order to induce the Holder to advance the principal amount hereof, the Company hereby represents and warrants to the Holder that, as of the date hereof:

**§5.1. Organization and Good Standing.** The Company is a duly organized and validly existing corporation organized under the laws of the State of Delaware and has the power to own its properties and to carry on its business as now conducted and as proposed to be conducted. The Company is duly qualified to do business and is in good standing as a foreign corporation in all jurisdictions in which the character of the properties owned or leased by it or the nature of its activities makes such qualification necessary, other than any jurisdictions in which the failure so to qualify or be in good standing would not, either, in any case or in the aggregate, have a material adverse effect upon the business, operations, assets, condition (financial or otherwise) or prospects of the Company.

**§5.2. Authorization.** The execution, issuance, delivery and performance by the Company of this Note (a) are within the Company's corporate power and authority, (b) have been duly authorized by all necessary corporate proceedings, and (c) do not conflict with or result in any breach of any provision of or the creation of any lien, security interest or other encumbrance upon any of the property of the Company, or, require any consent or approval pursuant to its charter, bylaws or any law, regulation, order, judgment, writ, injunction, license, permit, document, agreement or instrument binding upon the Company or upon any of its properties or assets.

**§5.3. Enforceability.** The execution, issuance and delivery of this Note by the Company are and will result in legally binding obligations of the Company, enforceable against it in accordance with the respective terms and provisions hereof.

**§5.4. Governmental Approvals.** The execution, issuance, delivery and performance by the Company of this Note do not and will not require the approval or consent of, or any filing with, any governmental authority or agency, other than filings required pursuant to applicable federal and state securities laws, except where a failure to obtain such approval or consent would not, either, in any case or in the aggregate, have a material adverse effect upon the business, operations, assets, condition (financial or otherwise) or prospects of the Company.

**§6. Covenants Applicable to the Company.**

(a) So long as any portion of this Note shall remain unpaid, the Company will deliver to the Holder (i) within 30 days after the end of each month commencing with the month ending June 30, 2000, the internal, unaudited balance sheet of the Company as of the end of each such month and the related statements of income, retained earnings and cash flows of the Company for such month and (ii) within 45 days after the end of each fiscal quarter of the Company, the internal, unaudited balance sheet of the Company as of the end of each such fiscal quarter, and the related statements of income, retained earnings and cash flows of the Company for such fiscal quarter.

(b) So long as any portion of this Note shall remain unpaid, the Company will not, without the prior written consent of the Holder, (i) enter into any transaction with any affiliate of the Company unless the monetary or business consideration arising therefrom would be as advantageous to the Company as the monetary or business consideration which would be obtained in a comparable arms-length transaction with an independent third party; other than the dividends and distributions described below or (ii) declare or pay any dividend on, make any distributions with respect to, or purchase or redeem, any capital stock of the Company; other than repurchases of capital stock owned by any management stockholder upon termination of his employment pursuant to the terms of such management stockholder's stock purchase or employment agreement with the Company and payments of cash dividends on the Company's preferred stock in accordance with the Company's charter as in effect on the date hereof.

(c) So long as any portion of this Note shall remain unpaid, the Company will not, without the prior written consent of the Holder, (a) become a party to any merger or consolidation; or (b) sell, lease, sublease or otherwise transfer or dispose of any portion of its assets with an aggregate value in excess of \$100,000 in any fiscal year (other than sales of assets in the ordinary course of business consistent with past practice). The Company will not (i) acquire all or substantially all of the capital stock or assets of any person or entity or (ii) acquire any assets outside the ordinary course of business.

**§7. Acceleration Events.** If any of the following events or circumstances (each an "Acceleration Event") shall occur except for the Company obtaining additional paid in capital with the issuance of debt and/or equity of the Company prior to October 1, 2000:

(a) the Company shall fail to pay any amount of principal or interest or other amount (if any) within ten (10) days of the date on which such amount is due and payable hereunder; or

(b) the Company shall fail to cure any breach of its other covenants, agreements or obligations hereunder within ten (10) days after written notice by the Holder to the Company specifying such breach; or

(c) any representation or warranty made by the Company herein shall have been false in any material respect when made; or

(d) the Company shall make an assignment for the benefit of creditors, or admit in writing its inability to pay or generally fail to pay its debts as they mature or become due, or shall petition or apply for the appointment of a trustee or other custodian, liquidator or receiver of the Company or of any substantial part of its assets, or shall commence any case or other proceeding relating to its assets under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law of any jurisdiction, or shall take any action to authorize or in furtherance of any of the foregoing; or any such petition or application shall be filed or any such case or other proceeding shall be commenced against the Company, and the same shall not have been dismissed within sixty (60) days of the filing or commencement thereof or the Company shall indicate its approval thereof, consent thereto or acquiescence therein; or a decree or order shall be entered appointing any such trustee, custodian, liquidator or receiver or adjudicating the Company bankrupt or insolvent, or approving a petition in any such case or other proceeding, or a decree or order for relief shall be entered in respect of the Company in an involuntary case under any such bankruptcy or insolvency laws; or

(e) the Company shall take any corporate action to liquidate its assets or dissolve, or shall take any corporate action to consolidate or merge with or into any other corporation or business entity unless the Company shall be the surviving legal entity of such consolidation or merger or the surviving legal entity of such consolidation or merger shall have assumed in full by a written instrument the obligations under and in respect of this Note; or

(f) in the event that the Company fails to accept and consummate, on or before the Maturity Date, a bona fide offer or offers from individual, institutional or venture capital investors to purchase a new series of preferred stock of the company upon commercially reasonable terms that would result in gross proceeds to the company equal to or in excess of \$3,000,000; or

(g) in the event that there shall be a merger or consolidation of the Company with or into another company, the sale of all or substantially all of the Company's assets, or the sale of more than 50% of the voting capital stock of the Company; or

(h) the issuance, delivery or sale or the authorization, proposal, or agreement or commitment to the issuance, delivery, or sale of any shares of the Company's capital stock of any class, or of any securities convertible into the Company's capital stock, or of any options, warrants, calls, conversion rights, commitments, agreements, contracts, understandings, restrictions, arrangements or rights of any character obligating the Company



to issue any such shares of capital stock, or convertible or other securities; provided, however, the provisions of this subparagraph (h) shall not be applicable to any transaction or series of transactions which in the aggregate involve or relate to, directly or indirectly, less than 15,000,000 (as such number may be adjusted for stock splits, stock dividends, recapitalizations or the like occurring after the date hereof) shares of the Company's capital stock (or other convertible securities of the Company); or

(i) the sale, lease, license, transfer, mortgage, encumbrance, or other disposition of all or substantially all of the Company's assets;

then, the Holder may, at its option at any time thereafter, declare the entire unpaid principal of this Note and all interest, fees and expenses (if any) payable on or in respect of this Note and the obligations evidenced hereby due and payable, and the same shall thereupon forthwith become and be due and payable to the Holder (an "Acceleration") without presentment, demand, protest, notice of protest or any other formalities of any kind, all of which are hereby expressly and irrevocably waived by the Company, provided that in the event of an Acceleration Event under §7(d) all such amounts shall become and be immediately due and payable, and an Acceleration shall be deemed for all purposes hereof to have occurred, automatically and without any requirement of notice from the Holder.

**§8. Subordination.** The Holder hereby agrees and acknowledges that the indebtedness represented by this Note and the security interest in certain of the Collateral granted hereunder shall be subordinate to the indebtedness of KeyBank National Association (the "Bank") incurred by the Company. The Holder (and each other holder of this Note, by his, her or its acceptance hereof) agrees to execute and deliver the Subordination Agreement in accordance with that First Amendment to Credit Agreement and Loan Documents of even date herewith between the Bank and the Company..

**§9. Miscellaneous.**

(a) If the last or appointed day for the taking of any action required or the expiration of any right granted herein shall be a Sunday or a Saturday or shall be a legal holiday or a day on which banking institutions in the City of Redmond, Washington, are authorized or required by law to remain closed, then such action may be taken or right may be exercised on the next succeeding day which is not a Sunday, a Saturday or a legal holiday and not a day on which banking institutions in the City of Redmond, Washington, are authorized or required by law to remain closed.

**(b) THIS NOTE SHALL BE BINDING UPON THE COMPANY'S SUCCESSORS IN TITLE AND ASSIGNS. THIS NOTE SHALL CONSTITUTE A CONTRACT UNDER SEAL AND, FOR ALL PURPOSES, SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS (WITHOUT REGARD TO THE LAWS OR RULES OF LAW APPLICABLE TO CONFLICT OR CHOICE OF LAW).**

(c) The Company hereby irrevocably waives notice of acceptance, presentment, notice of nonpayment, protest, notice of protest, suit and all other conditions precedent in connection with the delivery, acceptance, collection and/or enforcement of this Note or any

collateral or security therefor. The failure of the Holder to exercise any or all of its rights, remedies, powers or privileges hereunder in any instance shall not constitute a waiver thereof in that or any other instance.

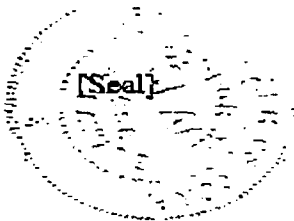
(d) In no event shall any interest charged, collected or reserved under this Note exceed the maximum rate then permitted by applicable law and if any such payment is paid by the Company, then such excess sum shall be credited by the Holder as a payment of principal.

(e) The Holder of this Note, by acceptance hereof, agrees that this Note is being acquired for investment for its own account and not with a view towards its distribution and that such holder will not offer, sell or otherwise dispose of this Note except under circumstances which will not result in a violation of the Securities Act and applicable state securities laws.

(f) The Company shall pay on demand all collection costs and expenses, including reasonable legal fees, incurred by the holder of this Note in enforcing payment hereof.

**§10. Expenses.** The Company hereby agrees to pay on demand all reasonable out-of-pocket expenses incurred by the Holder, in connection with the transactions contemplated by this Note and the filing of the security interests in connection herewith (including without limitation, the Holder's attorneys' fees, filing fees, and the cost of preparing and recording all documents) and in connection with any amendments, waivers or terminations hereof or thereof.

**IN WITNESS WHEREOF**, the Company has caused this Subordinated Promissory Note and Security Agreement to be signed in its corporate name and its corporate seal to be impressed hereon by its duly authorized officers.



**Appian Graphics Corp.**

By: [Signature]  
Name: Richard Clark  
Title: President

The foregoing Subordinated Promissory Note and Security Agreement is hereby accepted and agreed to by the undersigned on and as of the date first above written.

**SSM VENTURE ASSOCIATES, L.P.**

By: SSM II, L.P., its General Partner

By: SSM Corporation, its General  
Partner

By: [Signature]  
William F. Harrison  
Vice President

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IN WITNESS WHEREOF, the Company has caused this Subordinated Promissory Note and Security Agreement to be signed in its corporate name and its corporate seal to be impressed hereon by its duly authorized officers.

**Appian Graphics Corp.**

[Seal]

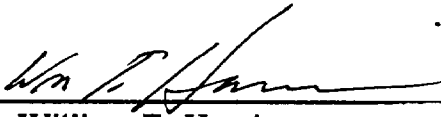
By: \_\_\_\_\_  
Name:  
Title:

The foregoing Subordinated Promissory Note and Security Agreement is hereby accepted and agreed to by the undersigned on and as of the date first above written.

**SSM VENTURE ASSOCIATES, L.P.**

By: SSM II, L.P., its General Partner

By: SSM Corporation, its General  
Partner

By:   
William F. Harrison  
Vice President

<u>Other Holders</u>	<u>Amount</u>
GMN Investors II, L.P. 20 William Street, Suite 250 Wellesley, Massachusetts 02481	\$500,000
SSM Venture Partners II, L.P. 845 Crossover Lane Suite 140 Memphis, Tennessee 38117	\$836,590
SSM Venture Associates, L.P. 845 Crossover Lane Suite 140 Memphis, Tennessee 38117	\$163,410
Richard Berenson 39 Karen Road Newton, Massachusetts 02168	\$62,500