

10-01-2001



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U.S. DEPARTMENT OF COMMERCE

Patent and Trademark Office

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

1. Name of conveying party(ies):

Dieceland Technologies, Inc.

9-21-01

Additional names(s) of conveying party(ies)

☐ Yes ☒ No

3. Nature of conveyance:

☐ Assignment☐ Merger☒ Security Agreement☐ Change of Name☐ Other

Execution Date: July 10, 2001

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

Name: Pamela P. Draper

Address: 8108 Vista Forest Drive

City: Roanoke

State/Prov.: VA

Country: US

ZIP: 24018

Additional name(s) & address(es)

☒ Yes ☐ No

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

If this document is being filed together with a new application, the execution date of the application is:

Patent Application No.

Filing date

09/222,136

12/29/1998

09/684,583

10/06/2000

09/735,190

11/07/2000

09/767,348

01/23/2001

Additional numbers

B. Patent No.(s)

5,845,218

5,965,848

6,061,580

5,875,393

5,983,094

6,144,847

☒ Yes ☐ No

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

Name: Anthony R. Barkume

Registration No. 33,831

Address: Greenberg Traurig, LLP

200 Park Avenue

City: New York

State/Prov.: NY

Country: US

ZIP: 10166

6. Total number of applications and patents involved:

18

7. Total fee (37 CFR 3.41):.....\$ 720.00

Enclosed - Any excess or insufficiency should be credited or debited to deposit account

☒ Authorized to be charged to deposit account

8. Deposit account number:

50-1561

10/01/2001 LHOELLER 00000043 301361 03222136

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9. Statement and signature.

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

Anthony R. Barkume

Name of Person Signing

Signature

September 10, 2001

Date

26

Total number of pages including cover sheet, attachments, and

Additional Names and addresses of receiving parties:

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Bahamas

Frank Fanelli
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New York, NY 10038
US

Additional Numbers of Patent Applications:

<u>Patent Application No.:</u>	<u>Filing Date:</u>
09/728,019	12/01/2000
09/660,131	09/12/2000
09/660,130	09/12/2000
09/741,719	12/20/2000
09/835,700	04/16/2001
PCT/US98/12759	06/18/1998
PCT/US98/03583	02/24/1998
PCT/US98/12760	06/18/1998

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Agreement"), dated as of July 10, 2001, is by and among DIECELAND TECHNOLOGIES CORP., a New Jersey corporation (the "Debtor"), maintaining its principal place of business located at 36 Cecelia Avenue, Cliffside Park, New Jersey 07010, 200 PARK LLC, a New York limited liability company located at c/o Alan I. Annex, Esq., 200 Park Avenue, 15th Floor, New York, New York 10166 ("200 Park"), and the purchasers of the Debtor's Senior Secured 10% Convertible Promissory Notes and associated warrants under the terms of that certain Secured Note and Warrant Purchase Agreement of even date herewith (the "Note and Warrant Purchase Agreement") whose names are set forth on the signature page of this Agreement (together with 200 Park, the "Secured Parties" and individually, the "Secured Party").

WITNESSETH:

WHEREAS, the Debtor has offered for sale to the Secured Parties an aggregate principal amount of Five Million Dollars (\$5,000,000) of the Debtor's senior secured convertible promissory notes (each, a "Note") and associated warrants (the "Warrants"), pursuant to the terms of the Note and Warrant Purchase Agreement;

WHEREAS, under the terms and conditions of the Note and Warrant Purchase Agreement, the Secured Parties have purchased an aggregate principal amount of One Million Seventy-Two Thousand Five Hundred Dollars (\$1,072,500) evidenced by Notes dated the date hereof and as set forth in Exhibit A annexed hereto and made a part hereof, with payment of the Notes and any other obligations of the Debtor to the Secured Parties, and each of them, to be secured as provided for in the Purchase Agreement;

WHEREAS, pursuant to the Purchase Agreement, the Debtor has agreed to execute and deliver to the Secured Parties, this Security Agreement granting the Secured Parties, and each of them, a first perfected priority lien and security interest in the Collateral (as described below) to secure the Debtor's payment and discharge of all of its obligations under the Purchase Agreement and the Notes.

NOW, THEREFORE, in consideration of the premises and agreements hereinafter set forth, the parties hereto agree as follows:

1. Creation of Security Interest; Term. In order to induce the Secured Parties to enter into the Purchase Agreement and purchase the Notes and Warrants, the Debtor hereby unconditionally and irrevocably grants to the Secured Parties a first perfected priority lien and security interest in the Collateral described in Section 2 hereof to secure the Debtor's prompt payment (alone, the "Indebtedness"), performance and discharge in full of all of its obligations under the Purchase Agreement and the Notes (together with the Indebtedness, the "Obligations"). Upon the earlier of the payment, performance and discharge in full of all Obligations or the conversion or exchange of the Notes, the security interest granted herein shall expire and so shall this Agreement. The Secured Parties' security interest shall have priority and be superior to all other interests in the Collateral; provided, that up to a maximum of Four Million Dollars (\$4,000,000) of other senior secured notes of the Debtor that may be sold following the date

hereof on no more favorable terms as the Notes (the "Additional Notes"), shall rank equally with the Secured Parties regardless of the order of filing of any financing statement, and that the Secured Parties shall share *pari passu* in the Collateral with any purchaser of an Additional Note in the event of a default by the Debtor under the Notes or the Additional Notes, as applicable.

2. Collateral. In order to secure prompt payment, performance and discharge in full of all of the Obligations, the Debtor hereby pledges to the Secured Parties and grants to the Secured Parties a security interest in and to the following properties (collectively, the "Collateral"):

(a) All of the Debtor's inventory as defined in the UCC in the local law of the jurisdiction where the Collateral is located, both now owned and hereafter acquired, including raw materials, work in process and other tangible personal property held for sale or lease or furnished or to be furnished under contracts of service or used or consumed in the Debtor's business, and all proceeds thereof and any products made or processed from such inventory, as well as any additions and accession thereto and substitutions and replacements for any thereof;

(b) All of the Debtor's intangible personal property, cash on hand and cash in and deposits with banks or other financial institutions, whether now owned or hereafter acquired, including, without limitation, all accounts, goods, chattel paper, documents, instruments and general intangibles; all obligations owing to the Debtor; all tax refunds to which the Debtor may be or become entitled; all contracts, shares of stock, bonds, notes, evidences of indebtedness and other securities, bills, notes and accounts receivable, interests in life insurance policies, copyrights, goodwill, trade names, trademarks, trademark applications, blue prints, drawings, claims, credits, choses in action, licenses, permits, franchises and grants, any and all tangible and intangible products, discoveries, developments, designs, improvements, inventions, formulas, processes, techniques, know-how, data and software source code whether or not registrable or patentable under statute, whenever made, conceived, reduced to practice, learned or developed by or for the Debtor; and the following patents and patent applications of the Debtor:

Issued patents.

(i) United States Patent Number 5,845,218, issued December 1, 1998,
DISPOSABLE WIRELESS TELEPHONE AND METHOD;

(ii) United States Patent Number 5,875,393, issued February 23, 1999,
DISPOSABLE WIRELESS TELEPHONE AND METHOD;

(iii) United States Patent Number 6,061,580, issued May 9, 2000,
DISPOSABLE WIRELESS TELEPHONE AND METHOD FOR CALL-OUT ONLY;

(iv) United States Patent No. 5,965,848, issued October 12, 1999,
DISPOSABLE PORTABLE ELECTRONIC DEVICES AND METHOD OF MAKING;

(v) United States Patent Number 5,983,094, issued November 9, 1999
and United States Patent Number 6,144,847, issued November 7, 2000, WIRELESS
TELEPHONE WITH CREDITED AIRTIME;

Pending patents.

- (i) Serial Number 09/222,136, filed on December 29, 1998, WIRELESS TELEPHONE SYSTEM, TELEPHONE AND METHOD;
- (ii) Serial Number 09/684,583, filed on October 6, 2000, ELECTRONIC MOVIE CARD;
- (iii) Serial Number 09/735,190, filed on November 7, 2000, ELECTRONIC WAGERING CARD;
- (iv) Serial Number 09/767,348, filed on January 23, 2001, SYSTEM AND METHOD FOR CREATING PERSONALIZED POSTAGE STAMPS;
- (v) Serial Number 09/728,019, filed December 1, 2000, WIRELESS TELEPHONICALLY ACCESSED COMPUTER SERVICES AND SYSTEM;
- (vi) Serial Number 09/660,131, filed on September 12, 2000, ORDER SELECTION DEBIT CARD AND METHOD;
- (vii) Serial Number 09/660,130, filed on September 12, 2000, COMPACT WIRELESS MODULAR TELEPHONE;
- (viii) Serial Number 09/741,719, filed on December 20, 2000, COMPACT WIRELESS TELEPHONE WITH ENABLING MODULE;
- (ix) Serial Number 09/835,700, filed on April 16, 2001, COMPUTER VIRUS REJECTION SYSTEM AND METHOD;
- (x) International Application Number PCT/US98/12759, filed on June 18, 1998, WIRELESS TELEPHONE WITH CREDITED AIRTIME;
- (xi) International Application Number PCT/US98/03583, filed on February 24, 1998, DISPOSABLE WIRELESS TELEPHONE AND METHOD;
- (xii) International Application Number PCT/US98/12760, filed on June 18, 1998, DISPOSABLE PORTABLE ELECTRONIC DEVICE AND METHOD OF MAKING;
- (xiii) EP Application Number EP98907607, filed on February 24, 1998, DISPOSABLE WIRELESS TELEPHONE AND METHOD;
- (xiv) EP Application Number EP98930394, filed on June 18, 1998, DISPOSABLE PORTABLE ELECTRONIC DEVICES AND METHOD OF MAKING.

In the event (i) the Debtor files or otherwise acquires any patent applications or patents subsequent to the execution of this Agreement, or (ii) the Debtor owns any patents or patent applications not listed herein, then the Collateral shall include such patents or patent applications and the Debtor shall execute such further documents as may be reasonably required by the

Secured Parties in order to evidence same and allow recording by the Secured Parties in the appropriate patent office.

(c) All other real, personal and mixed (tangible and intangible) property of every character and wherever situated, now owned and hereafter acquired (other than property that may be held by the Debtor pursuant to leases) by the Debtor.

3. Payment Obligations of the Debtor.

(a) The Debtor shall pay to the Secured Parties any sum or sums due or which may become due pursuant to the Notes payable to the order of each of the Secured Parties listed on the signature page hereto in the principal amount, together with accrued interest thereon, in accordance with the terms of the Notes. The Debtor shall also perform and discharge in full of all of its other Obligations.

(b) Debtor shall account fully and faithfully to the Secured Parties for proceeds from disposition of the Collateral in any manner and, following an Event of Default (as defined below) hereunder, shall pay or turn over promptly in cash, negotiable instruments, drafts, assigned accounts or chattel paper all the proceeds from each sale to be applied to Debtor's Obligations to the Secured Parties, subject, if other than cash, to final payment or collection. Application of such proceeds to the Obligations shall be in the sole discretion of the Secured Parties, provided such application of proceeds is made by the Secured Parties in good faith and in accordance with Section 7 hereof.

(c) Following an Event of Default hereunder or under the Notes, the Debtor shall pay to the Secured Parties on demand all reasonable expenses and expenditures (including, but not limited to, reasonable fees and expenses of legal counsel) incurred or paid by the Secured Parties in exercising or protecting their interests, rights and remedies under this Agreement, plus penalties thereon at the lesser of (i) the per diem rates described in the Notes or (ii) the highest rate of interest then allowed by law.

(d) The Debtor shall pay immediately, without notice, the entire unpaid principal amounts of the Notes, together with accrued interest thereon, to the Secured Parties whether created or incurred pursuant to this Agreement or otherwise, upon an Event of Default.

4. Representations, Warranties and Covenants of the Debtor. The Debtor hereby represents and warrants to, and covenants with, the Secured Parties that:

(a) All information supplied and statements made by the Debtor in any financial, credit or accounting statement or provided to the Secured Parties prior to, contemporaneously with or subsequent to the execution of this Agreement are and shall be true, correct, complete, valid and genuine in all material respects as of the date made.

(b) Except for the security interest granted pursuant to this Agreement, and to Dieceland Investment 2000, LLC (as described in the Note and Warrant Purchase Agreement) (the "DI2 Interest," which is being terminated simultaneously herewith), no financing statement covering the Collateral or its proceeds is on file in any public office and there is no lien, security interest or encumbrance in or on the Collateral.

(c) The Collateral shall remain in the Debtor's possession or control at all times at the Debtor's risk of loss until (i) sold, licensed or otherwise disposed of in the ordinary course of business, provided that the Secured Parties shall be granted a security interest in the proceeds and other consideration received for such Collateral or (ii) as authorized in writing by the Secured Parties representing at least a majority of the aggregate principal amounts of all then outstanding Notes issued under the Note and Warrant Purchase Agreement.

(d) Until an Event of Default, the Debtor may use the Collateral in any lawful manner not inconsistent with this Agreement or with the terms or conditions of any policy of insurance thereon and may also sell, license or otherwise dispose of the Collateral in the ordinary course of business. The Secured Parties' security interest shall attach to all proceeds of sales, licenses and other dispositions of the Collateral.

(e) The Debtor shall promptly notify the Secured Parties in writing of any change in the location of its chief executive office and principal place of business as set forth in the introduction to this Agreement.

(f) The Debtor shall pay prior to delinquency all material taxes, charges, liens and assessments against the Collateral except those the Debtor is contesting in good faith and for which adequate accruals have been made, and upon the Debtor's failure to do so after ten (10) days' prior written notice, the Secured Parties at their option may pay any of them and shall be the sole judge of the legality or validity thereof and the amount necessary to discharge the same. Such payment shall become part of the Obligations secured by this Agreement and shall be paid to the Secured Parties by the Debtor immediately and without demand, with interest thereon at the rate set forth in paragraph 3(c) hereof.

(g) The Debtor shall have and maintain insurance at all times with respect to all Collateral against risks of fire, theft and such other risks as is reasonable for its business and as the Secured Parties may reasonably require (but in no event shall the Debtor be obligated to insure such Collateral in an amount greater than the replacement value thereof), including extended coverage. Within ten (10) days after the date hereof, the Debtor shall amend such insurance policies to contain a standard mortgagee's endorsement providing for payment of any loss to the Secured Parties and to provide for ten (10) days' written minimum cancellation notice to the Secured Parties. Following an Event of Default, subject to the provisions of Section 7 hereof, the Secured Parties may act as attorneys for the Debtor in obtaining, adjusting, settling and canceling such insurance and endorsing any drafts drawn by insurers of the Collateral. The Secured Parties may apply any proceeds of such insurance which may be received by it in payment on account of the obligations secured hereby, whether due or not.

(h) The Debtor shall, at its own expense, do, make, procure, execute and deliver all acts, things, writings and assurances as the Secured Parties may at any time reasonably request to protect, assure or enforce their interests, rights and remedies created by, provided in or emanating from this Agreement, including with respect to filings with the Patent and Trademark Office. The Debtor shall execute financing statements and take whatever other actions are reasonably requested by the Secured Parties to perfect and continue the Secured Parties' security interests in the Collateral. In addition, the Debtor shall use its best efforts to take all appropriate action (including but not limited to all appropriate action requested by the

Secured Parties) to perfect the Secured Parties' security interest for any liens which may not be perfected by the filing of a Form UCC-1 (including but not limited to filings with the U.S. Patent and Trademark Office). Upon the reasonable request of the Secured Parties, the Debtor shall deliver to a representative designated by the Secured Parties any and all of the documents evidencing or constituting the Collateral (if applicable), and the Debtor shall note the Secured Parties' interests upon any and all of such documents if not delivered to such designated Secured Parties' representative for possession by it. The Debtor hereby agrees that a carbon, photographic, photostatic or other reproduction of this Agreement or of a financing statement is sufficient as a financing statement where permitted by law.

(i) Except in the ordinary course of business, the Debtor shall not sell, lend, license, rent, lease or otherwise dispose of the Collateral or any interest therein except as authorized in this Agreement or in writing by the Secured Parties, and the Debtor shall keep the Collateral, including the proceeds thereof, free from unpaid charges, including taxes, and from liens, encumbrances and security interests other than the security interest created by this Agreement and granted in favor of the Secured Parties.

(j) The Debtor shall keep accurate and complete records of the Collateral and its proceeds.

(k) The Debtor has good and valid rights in and title to the Collateral and has the full power and authority to grant to the Secured Parties the security interest in the Collateral created by this Agreement and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other person other than any consent or approval that has been obtained.

(l) The Debtor is the owner of the Collateral free of all liens, claims and encumbrances, except (i) the security interest created by this Security Agreement and granted in favor of the Secured Parties and (ii) the DI2 Interest.

(m) With respect to any and all Collateral, the Debtor has not obtained and is not in the process of applying for any patents, trademarks or copyrights in any jurisdiction that are not disclosed in Section 2 above. The Debtor shall notify the Secured Parties at least thirty (30) days prior to the filing of any patent, trademark or copyright applications with respect to the Collateral and will provide the Secured Parties with all information necessary to assist the Secured Parties in perfecting its security interest in the Collateral prior to the filing of any patent, copyright or trademark applications.

(n) The Debtor agrees that any of Secured Parties holding Collateral does so as bailee (under the UCC) for each other Secured Party which has a lien on such Collateral and is hereby authorized to and may turn over to such other Secured Parties upon request therefor any such Collateral, after all obligations and indebtedness of Debtor to the bailee Secured Parties have been fully paid and performed. Notwithstanding the foregoing, the Debtor hereby acknowledges and agrees that in terms of payments in respect of the Notes and from the proceeds of any Collateral, each Secured Party shall be treated ratably in accordance with its pro rata share of the Notes based upon the ratio of the then outstanding principal amount of such Secured Party's Note to the outstanding principal balance of all of the Notes ("Pro Rata Share") and the

Debtor shall execute and deliver such additional documents and take such additional action as may be necessary or desirable in the reasonable opinion of any of the Secured Parties to effectuate the provisions and purposes of the provisions of Section 7 hereof.

(o) As to that portion of the Collateral which is accounts, the Debtor represents, warrants and agrees with respect to each such account that:

(i) The account arose from the performance of services by the Debtor which have been performed or from the lease or the absolute sale of goods or provision of services by the Debtor in which the Debtor had the sole and complete ownership, and the goods or services have been delivered or provided to, as the case may be, the account debtor.

(ii) The account is not subject to any prior or subsequent assignment, claim, lien or security interest other than (i) the security interest created by this Security Agreement and granted in favor of the Secured Parties and (ii) the DI2 Interest.

(iii) The account arose in the ordinary course of the Debtor's business, and no notice of bankruptcy, insolvency or financial embarrassment of the account debtor has been received by the Debtor.

(p) The Debtor does not have any subsidiaries, does not own any stock or equity interests in any corporation, limited liability company, partnership or other entity, and is not a party to a joint venture.

5. Events of Default. The Debtor shall be in default under this Agreement upon the happening of any condition or event set forth below (each, an "Event of Default")

(a) An Event of Default (as defined in the Notes) under any Note;

(b) The Debtor's default under, or failure to perform or observe any term, covenant or agreement contained in, the Note and Warrant Purchase Agreement to be performed or observed by the Debtor; or

(c) The creation of any liens (other than (i) the security interest created by this Security Agreement and granted in favor of the Secured Parties, and (ii) the DI2 Interest) without the consent of the holders of a majority of the aggregate principal amounts of all then outstanding Notes issued under the Note and Warrant Purchase Agreement.

6. Secured Parties' Rights and Remedies.

(a) Rights Exclusive of Default. Until the termination of this Agreement, upon reasonable notice to the Debtor:

(i) Any Secured Party may enter the Debtor's premises at any reasonable time during the Debtor's usual business hours without interruption of the Debtor's business and without any breach of the peace to inspect the

Collateral and the Debtor's books and records pertaining to the Collateral, and the Debtor shall assist such Secured Party in making any such inspection.

(ii) The Secured Parties may execute, sign, endorse, transfer or deliver in the name of the Debtor, notes, checks, drafts or other instruments for the payment of money and receipts, certificates of origin, applications for certificates of title or any other documents, necessary to evidence, perfect or upon an Event of Default realize upon the security interest and obligations created by this Agreement.

(iii) At their option, the Secured Parties may agree to discharge taxes, liens or security interests or other encumbrances at any time levied or placed on the Collateral, may pay for the insurance on the Collateral and may pay for the maintenance and preservation of the Collateral. The Debtor agrees to reimburse the Secured Parties on demand for any payment made, or expense incurred by the Secured Parties pursuant to the foregoing authorization, plus interest thereon at the rate set forth in paragraph 3(c) hereof, and will indemnify and hold the Secured Parties harmless from and against liability in connection therewith.

(b) Rights in Event of Default. In addition to any other rights which the Secured Parties may have at law or hereunder, upon the occurrence of an Event of Default, and at any time thereafter that such Event of Default remains uncured, the Secured Parties may:

(i) Declare all obligations secured hereby immediately due and payable and shall have the rights and remedies of a "secured party" under the UCC in effect in the local jurisdiction where the Collateral is located, including, without limitation, the right to sell, lease or otherwise dispose of any or all of the Collateral and the right to take possession of the Collateral, and for that purpose the Secured Parties may enter any premises on which the Collateral or any part thereof may be situated and remove the same therefrom, so long as the same may be accomplished without a breach of the peace. The Secured Parties may require the Debtor to assemble the Collateral and make it available to the Secured Parties at a place to be designated by the Secured Parties which is reasonably convenient to the party and thereafter hold the Collateral absolutely free from any claim or right whatsoever, and such demand, notice and right or equity being hereby expressly waived and released. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Secured Parties will send the Debtor reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or other disposition thereof is to be made. The requirement of sending reasonable notice shall be met if such notice is given to the Debtor at least ten (10) days before the time of the sale or disposition. Expenses of retaking, holding, preparing for sale, selling or the like shall include the Secured Parties' reasonable fees and expenses (including, but not limited to, reasonable fees and expenses of legal counsel), and the Debtor agrees to pay such reasonable fees and expenses, plus interest thereon at the rate set forth in paragraph 3(c) hereof. The Debtor shall remain liable for any deficiency hereunder or under the Notes;

(ii) Notify the account of debtors or obligors of any accounts, chattel paper, negotiable instruments or other evidences of indebtedness remitted by the Debtor to the Secured Parties as proceeds to pay the Secured Parties directly;

(iii) Demand, sue for, collect or make any compromise or settlement with reference to the Collateral as the Secured Parties, in their sole discretion, choose; and

(iv) Remedy any default and may waive any default without waiving or being deemed to have waived any other prior or subsequent default.

(c) Private Sale. None of the Secured Parties shall incur any liability as a result of a private sale of the Collateral, or any part thereof, at any sale pursuant to Section 6(b) hereof conducted in good faith. The Debtor hereby waives any claims against any of the Secured Parties arising by the reason of the fact that the price at which the Collateral may have been sold at such private sale was less than the price that might have been obtained at a public sale or was less than the aggregate amount of the Obligations, even if the Secured Parties accept the first offer received and do not offer the Collateral to more than one offeree.

(d) Application of Proceeds. Except as otherwise herein expressly provided, the proceeds of any collection, sale or other realization of all or any part of the Collateral pursuant hereto shall be applied to the Obligations in accordance with each Secured Party's Pro Rata Share and as set forth in the intercreditor arrangement in Section 7 hereof.

(e) Deficiency. If the proceeds of sale, collection or other realization of or upon the Collateral pursuant to this Section 6 are insufficient to cover the costs and expenses of such realization and the payment in full of the Obligations, the Debtor shall remain liable for any deficiency.

7. Intercreditor Arrangement.

(a) 200 Park LLC, as the "Administrative Agent" and the other Secured Parties (the "Other Lenders") agree, (i) as to the certain rights and priorities of each with respect to the Obligations and with respect to their respective liens upon and security interest in the Collateral and (ii) as to provide for the orderly sharing among the Secured Parties of the proceeds of such Collateral upon any foreclosure thereon or other disposition thereof, to the intercreditor arrangement set forth in this Section 7.

(b) Payments Held in Trust/Turnover; Application of Payments.

(i) In the event that any payment or distribution of assets of the Debtor, whether in cash, property or securities, which is prohibited by this Agreement, the Notes or the Note and Warrant Purchase Agreement (together, the "Loan Documents"), shall be received by a Secured Party in contravention of such Loan Documents such payment or distribution shall be held in trust for the benefit of and shall be paid over to or delivered to the other Secured Parties for application in accordance with the terms hereof.

(ii) All payments of principal, interest, fees and expenses after the issuance of the Notes, and proceeds of the Collateral shall be apportioned ratably among the Secured Parties, in accordance with each Secured Party's Pro Rata Share.

(c) Permitted Liens and Relative Priorities. As among the Secured Parties, and notwithstanding the terms (including the description of Collateral), dating, execution, or delivery of any document, instrument, or agreement; the time, order, method, or manner of granting, attachment or perfection of any security interest or lien; the time of filing or recording of any financing statements, assignments, deeds of trust, mortgages, or any other documents, instruments, or agreements under the UCC or any other applicable law, and any provision of the UCC or any other applicable law to the contrary, the Secured Parties agree that the Administrative Agent not individually, but on behalf of all of the Secured Parties, shall have a security interest in and lien upon the Collateral. For purposes of the foregoing allocation of priorities, any claim of a right to a setoff shall be treated in all respects as a security interest and no claimed right of setoff shall be asserted to defeat or diminish the rights or priorities provided for herein.

(d) No Alteration of Priority. The lien and security interest priorities provided in Section 7(c) hereof shall not be altered or otherwise affected by any amendment, modification, supplement, extension, renewal, restatement or refinancing of any of the Obligations nor by any action or inaction which any Secured Party may take or fail to take in respect of the Collateral. Each Secured Party consents to the Debtor's granting to each other Secured Party the liens and security interests reflected in Section 7(c) hereof.

(e) Nonavoidability and Perfection. The provisions of this Section 7 are intended solely to govern the respective priorities as among the Secured Parties. Each Secured Party agrees that it will not directly or indirectly take any action to contest or challenge the validity, legality, perfection, priority, availability, or enforceability of the liens of the other Secured Parties upon the Collateral or seek to have the same avoided, disallowed, set aside, or otherwise invalidated in any judicial proceeding or otherwise. In the event that any Other Lender (either individually or together with others) breaches or causes to be breached the terms of the preceding sentence, resulting (directly or indirectly) in the avoidance or imperfection of the Administrative Agent's lien or security interest held on behalf of all of the Secured Parties in some or all of the Collateral, then the priority of the lien or security interest of the Secured Parties in any such affected Collateral shall continue to be governed by the terms of Section 7(c) hereof irrespective of the avoidance or imperfection of the Administrative Agent's lien or security interest held on behalf of all of the Secured Parties.

(f) Management of Collateral. Notwithstanding anything to the contrary contained in any of the Notes (with respect to provisions addressing management of Collateral only):

(i) Until the Notes have been paid in full and subject to the remaining provisions of this Section 7: (i) the Administrative Agent, on behalf of the Secured Parties, shall have the exclusive right to manage, perform, and enforce the terms of the Loan Documents with respect to the Collateral and to exercise

and enforce all privileges and rights thereunder in its reasonable discretion and its exercise of its business judgment, including, without limitation, the exclusive right to enforce or settle insurance claims with respect to Collateral, take or retake control or possession of Collateral and to hold, prepare for sale, process, sell, lease, dispose of, or liquidate Collateral; provided, however, that nothing in this Section 7 shall be construed as granting Administrative Agent any rights under the Loan Documents which do not specifically relate to management of the Collateral (e.g., declaring an "Event of Default", or amending or waiving any term or provision of the Notes or this Agreement); (ii) none of other Secured Parties shall exercise or take any action in furtherance of the sale, foreclosure, realization upon, or the repossession or liquidation of any of the Collateral, including, without limitation: (A) the exercise of any remedies or rights of a "Secured Creditor" under Article 9 of the UCC, such as, without limitation, the notification of account debtors; (B) the exercise of any remedies or rights as a mortgagee or beneficiary (or by the trustee on behalf of the beneficiary), including, without limitation, the appointment of a receiver, or the commencement of any foreclosure proceedings or the exercise of any power of sale, including, without limitation, the placing of any advertisement for the sale of any Collateral; (C) the exercise of any remedies available to a judgment creditor; or (D) any other remedy available in respect of the Collateral available to such Secured Creditor under any of the Loan Documents (the "Secured Party Remedies") with respect to Collateral; and (iii) any and all proceeds of Collateral which shall come into the possession, control, or custody of any Secured Party will be deemed to have been received for the account of the Administrative Agent and all other Secured Parties, and shall be immediately paid over to the Administrative Agent and all other Secured Parties for application in accordance with the provisions hereof. Each Other Lender waives any and all rights to affect the method or challenge the appropriateness of any action by the Administrative Agent with respect to the Collateral other than actions arising out of the gross negligence or willful misconduct of the Administrative Agent, and waives any claims or defenses they may have against the Administrative Agent, including any such claims or defenses based on any actions or omissions of any such person in connection with the perfection, maintenance, enforcement, foreclosure, sale, liquidation or release of any lien or security interest therein, or any modification or waiver of the Loan Documents specifically relating to the management of the Collateral other than those arising out of the gross negligence or willful misconduct of the Administrative Agent.

(ii) The rights and priorities set forth in this Section 7 shall remain binding irrespective of the terms of any plan of reorganization in any proceeding commenced by or against the Debtor under any provision of the United States Bankruptcy Code (11 U.S.C. § 101, et seq.), as amended, and any successor statute (the "Bankruptcy Code") or under any other federal or state bankruptcy or insolvency law, including assignments for the benefit of creditors, formal or informal moratoria, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other similar relief, and all

converted or succeeding cases in respect thereof (the "Bankruptcy Case") or other provisions of the Bankruptcy Code or any similar federal or state statute.

(g) Sale of Collateral. Until the Notes have been paid in full and subject to the consent of the other Secured Parties in accordance with the remaining provisions of this subsection (g): (a) only the Administrative Agent on behalf of the Secured Parties shall have the right to restrict or permit, or approve or disapprove, the sale, transfer or other disposition of the Collateral; and (b) the Other Lenders will, immediately upon the request of the Administrative Agent, release or otherwise terminate their liens and security interests upon the Collateral, to the extent such Collateral is sold or otherwise disposed of by the Debtor with the consent of the Administrative Agent, and the Other Lenders will immediately deliver such release documents as the Administrative Agent may require in connection therewith, provided, that the proceeds of any given sale shall be applied to the Obligations of each Secured Party in accordance with its Pro Rata Share and no such sale, transfer or other disposition shall be consented to by the Administrative Agent with respect to all or a substantial part of the Collateral without the consent of the Other Lenders which consent shall not be unreasonably withheld or delayed.

(h) Sections 9-504 and 9-505 Notice and Waiver of Marshalling. Each Secured Party hereby acknowledges that this Agreement shall constitute notice of the other Secured Parties' respective interests in the Collateral as provided by Sections 9-504 and 9-505 (provided that if the Administrative Agent seeks to exercise any rights under Section 9-505, it shall provide the Other Lenders with the notices required thereunder) of the UCC and each of the Secured Parties waives any right to compel the other Secured Parties to marshal any of the Collateral or to seek payment from any particular assets of Debtor or from any third party.

(i) Bankruptcy Issues.

(i) Except as provided in this Section 7(i), this Section 7 shall continue in full force and effect after the commencement of a Bankruptcy Case and shall apply with full force and effect with respect to all Collateral acquired by Debtor, and to all Secured Creditors' Indebtedness incurred by the Debtor, subsequent to such commencement to the extent consented to by the Other Lenders.

(ii) If the Debtor shall become subject to a Bankruptcy Case, and if the Administrative Agent shall desire to permit the use of cash collateral or to provide post-petition financing to the Debtor, the Administrative Agent shall obtain the prior written consent of each Other Lender for such use of cash collateral or post-petition financing. No objection will be raised by the Other Lenders to the Administrative Agent's motion for relief from the automatic stay in any proceeding under the Bankruptcy Code to foreclose on and sell the Collateral.

(iii) In any Bankruptcy Case by or against the Debtor,

(A) the Administrative Agent may, and is hereby irrevocably authorized and empowered (in its own name or in the name of the Secured Parties or otherwise), but shall have no obligation, to, (1) demand, sue for,

collect and receive every payment or distribution in respect of the Indebtedness and give acquittance therefor and (2) file claims and proofs of claim in respect of all of the Indebtedness and take such other action (including, without limitation, voting all of the Indebtedness or enforcing any security interest or other lien securing payment of all of the Indebtedness) as the Administrative Agent may reasonably deem necessary or advisable for the exercise or enforcement of any of the rights or interests of the Administrative Agent and the Secured Parties; provided, that if the Administrative Agent elects not to do any of the foregoing it shall notify each Other Lender in writing in a manner such that such notice is received by the Other Lenders on a date no less than ten (10) business days prior to the date any such action is required to be taken under applicable law and regulation and each Other Lender may take all actions necessary thereunder consistent with the terms of this Security Agreement; and

(B) the Other Lenders will duly and promptly take such action as the Administrative Agent may reasonably request (1) to collect the Indebtedness and to file appropriate claims or proofs of claim with respect thereto, (2) to execute and deliver to the Administrative Agent such powers of attorney, assignments or other instruments as the Administrative Agent may request in order to enable it to enforce any and all claims with respect to, and any security interests and other liens securing payment of, the Indebtedness, and (3) to collect and receive any and all payments or distributions which may be payable or deliverable upon or with respect to the Indebtedness for application to the Secured Parties in accordance with this Security Agreement.

(j) Notice of Default and Certain Events. Each Secured Party shall send written notice to each other Secured Party upon the occurrence of any of the following as applicable: (a) the declaration of any default under such Loan Document, (b) the acceleration of any of such Secured Party's Indebtedness or (c) the intention of such Secured Party to exercise any of its enforcement rights or remedies. Each such notice shall be sent to the other Secured Parties contemporaneously with the sending of such notice to Debtor if and when sent under the applicable Loan Document. The failure of any Secured Party to give such notice shall not affect the relative lien or security interest priorities or the other privileges of such Secured Party as provided in this Security Agreement or give rise to any liability.

(k) Bailment. With respect to any Collateral in which a security interest may be perfected under the UCC or other relevant law only by possession ("Possessory Collateral"), the Administrative Agent will act as pledgeholder for the Secured Parties until the payment in full in cash of the Indebtedness. Each Other Lender acknowledges and agrees that: (i) the Administrative Agent makes no representation or warranty whatsoever as to the nature, extent, description, validity or priority of any Possessory Collateral or the security interests in or liens upon any Possessory Collateral; (ii) while any Possessory Collateral is held by the Administrative Agent, the Administrative Agent shall not have any liability to, and shall be held harmless by, the Other Lenders, for any losses, damages, claim, or liability of any kind to the

extent arising out of the holding of such Possessory Collateral, other than losses, damages, claims, or liabilities arising out of the Administrative Agent's gross negligence or willful misconduct; (iii) the Administrative Agent need not act as a pledgeholder for the Other Lenders with respect to any Collateral in which a security interest may be perfected by means other than possession; (iv) the Other Lenders shall immediately deliver to the Administrative Agent any Possessory Collateral that is now or in the future comes into their possession to be held by the Administrative Agent pursuant to the terms hereof; and (v) the priority of the Secured Parties' security interests in and liens upon the Possessory Collateral shall be governed by the terms of this Security Agreement.

(l) Authority of Agents/Trustees. Each of the Secured Parties agrees that any assignment or transfer of an interest in any of the Indebtedness held by it shall be made expressly subject to the terms and conditions of this Security Agreement.

(m) Successor Administrative Agent. The Administrative Agent may resign and be discharged from all further duties and obligations hereunder by giving each of the Secured Parties thirty (30) days prior written notice or such shorter notice period as may be agreed between the Administrative Agent and the Secured Parties. In addition, the Administrative Agent may be removed at any time by the Secured Parties representing a majority of the aggregate principal amounts of all then outstanding Notes issued under the Note Purchase Agreement. Upon the resignation or removal of the Administrative Agent, a successor Administrative Agent shall be elected by the Secured Parties representing a majority of the aggregate principal amounts of all then outstanding Notes issued under the Note Purchase Agreement. Upon the appointment of a successor Administrative Agent, all of the resigning or removed Administrative Agent's liens or security interests held on behalf of all of the Secured Parties in some or all of the Collateral shall be assigned to the successor Administrative Agent, and the resigning or removed Administrative Agent shall do all acts necessary or appropriate to accomplish the above to vest in the successor Administrative Agent all of the powers of the resigning or removed Administrative Agent.

8. Modification of Agreement. No modification, amendment or waiver of any provision of, nor any consent required by, this Agreement, nor any consent to any departure by the Debtor therefrom, shall in any event be effective unless the same shall be in writing and signed by a majority of the Secured Parties and then such modification, amendment, waiver or consent shall be effective only in the specific instance and for the purpose given; provided, however, that, without the written consent of the Secured Parties, no such action shall (i) reduce the amount of principal or required principal payments due to the Secured Parties; (ii) reduce the rate of interest payable to the Secured Parties; or (iii) postpone any date fixed for payment of principal. No notice to or demand on the Debtor in any case shall entitle the Debtor to any other or further notice or demand in the same, similar or other circumstances.

9. Remedies Cumulative, etc. No right, power or remedy herein conferred upon or reserved to the Secured Parties are intended to be exclusive of any other right, power or remedy or remedies, and each and every right, power and remedy of the Secured Parties pursuant to the Loan Documents or now or hereafter existing at law or in equity or by statute or otherwise shall, to the extent permitted by law, be cumulative and concurrent and shall be in addition to every other right, power or remedy pursuant to this Agreement, or the Note or now or hereafter existing

at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by the Secured Parties of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by the Secured Parties of any or all such other rights, powers or remedies.

10. No Waiver, etc. To the fullest extent permitted by law, no failure or delay by the Secured Parties to insist upon the strict performance of any term, condition, covenant or agreement of this Agreement, the Purchase Agreement, or of the Note or to exercise any right, power or remedy hereunder or thereunder or consequent upon a breach hereof or thereof, shall constitute a waiver of any such term, condition covenant, agreement, right, power or remedy or of any such breach, or preclude the Secured Parties from exercising any such right, power or remedy at any later time or times.

11. Notices. All notices, demands, requests, consents, approval or instructions hereunder shall be in writing and delivered personally, sent by registered or certified mail, postage prepaid, by nationally recognized overnight courier service, or by telecopy (or like transmission), as follows:

(1) if to the Debtor:

36 Cecelia Avenue
Cliffside Park, New Jersey 07010
Attn: Randice-Lisa Altschul
Chairperson and Chief Executive Officer

with a copy to:

Kurzman Eisenberg Corbin Lever & Goodman, LLP
512 Fifth Avenue
New York, New York 10175
Attn: Jay J. Jacobson, Esq.
Telecopy Number: (212) 949-6131

(2) if to the Secured Parties, at the addresses set forth in the Purchase Agreement.

Any notice personally delivered shall be deemed to be given upon delivery. Any notice so addressed and mailed shall be deemed to be given when so mailed. Any notices addressed and otherwise delivered shall be deemed to be given when actually received by the addressee. Any of the above addresses and telecopy numbers may be changed at any time by notice given as provided above; provided, however, that any such notice of change of address shall be effective only upon receipt.

12. Survival of Agreement. Each representation, warranty, covenant and agreement herein contained, shall survive the making by the Secured Parties of the loan and advance under the Purchase Agreement and the execution and delivery to the Secured Parties of the Note, notwithstanding any investigation at any time made by or on behalf of any party, and shall continue in full force and effect so long as any obligation is outstanding and unpaid.

13. Entire Agreement. This Agreement (including those documents and instruments referred to herein) contains the entire agreement with respect to the transactions contemplated hereby, and supersedes all prior understandings, arrangements and agreements with respect to the subject matter hereof.

14. Benefit of Agreement. This Agreement shall be binding upon and inure to the benefit of the parties hereto and may be assigned, without limitation, to the Secured Parties's affiliates. Assignments of this Agreement to any non-affiliate of the Secured Parties shall not be made without the prior written consent of the Debtor (which shall not be unreasonably withheld or delayed).

15. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles governing conflicts of law, except that the laws of the state in which any Collateral is located (if different from the State of New York) shall govern the creation, perfection and foreclosure of the liens created hereunder on such property or any interest therein. The Secured Parties hereby irrevocably consents to the exclusive personal jurisdiction of any state or federal court for New York County in the State of New York or the Southern District of New York. The Secured Parties hereby waives any objection to venue and any objection based on a more convenient form in any action instituted under this Agreement.

16. Further Assurances. All property acquired by the Debtor after the date hereof, which by the terms hereof is required or intended to be subjected to the lien of this Agreement, shall, immediately upon the acquisition thereof and without further mortgage, conveyance or assignment, become subject to the lien of this Agreement as fully as though now owned by Debtor and specifically described herein. Nevertheless, Debtor will do all such further acts and execute, acknowledge and deliver all such further conveyances, mortgages, financing statements and assurances as the Secured Parties shall reasonably require for accomplishing the purposes of this Agreement.

17. Captions. The captions appearing herein are for the convenience of the parties only and shall not be construed to affect the meaning of the provisions of this Agreement.

18. Severability. In the event that one or more of the provisions of this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision and never been contained herein.

19. Counterparts. This Agreement may be signed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one agreement.

ORIGINAL

IN WITNESS WHEREOF, the undersigned have executed this Security Agreement as of the date first above written.

DEBTOR:

DIECELAND TECHNOLOGIES CORP.

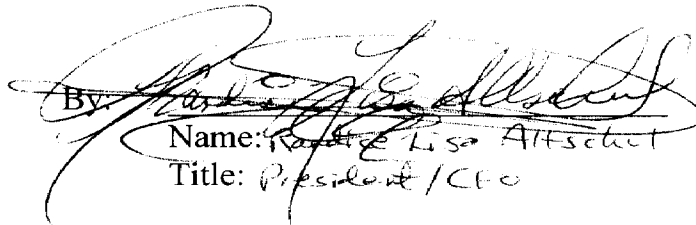
By: 
Name: Lisa Afschut
Title: President / CEO

EXHIBIT A

SECURED PARTIES

As of July 10, 2001

*[To be updated to reflect additional issuances of Notes and Warrants
under the Secured Note and Warrant Purchase Agreement.]*

Holder	Original Principal Amount of Notes
200 Park LLC	\$287,500
Allison Limmer	\$25,000
Robert Hormats	\$75,000
Samuel J. Krisch III	\$250,000
Harold Snyder	\$100,000
HBJ Investments, LLC	\$100,000
Kenneth Ceppos	\$60,000
Stephen A. Weiss	\$25,000
Eugene P. Conese, Sr.	\$150,000
Pamela P. Draper	\$100,000 ¹
S. Randolph Draper, Jr.	\$100,000 ²
Kosti Shirvanian	\$50,000
Endrun Investments Limited	\$50,000
Frank A. Fanelli	\$25,000
Total	<u>\$1,397,500</u>

¹ Ms. Draper purchased two separate Notes, each in the amount of \$50,000.

² Mr. Draper purchased two separate Notes, each in the amount of \$50,000.

SECURED PARTIES:

200 PARK LLC

By: _____
Name: _____
Title _____

If an entity:

By: _____
Name: _____
Title: _____

Address: _____

Copy of Notices to: _____

If an individual:

Pamela P. Draper
Name: Pamela P. Draper
(print)

Address: 8108 Vista Forest Dr.
Roanoke, VA 24018

Copy of Notices to: _____

SECURED PARTIES:

200 PARK LLC

By: _____
Name: _____
Title _____

If an entity:

By: _____
Name: _____
Title: _____

Address: _____

Copy of Notices to: _____

If an individual:

S. Randolph Draper Jr.
Name: S. Randolph DRAPER, JR.
(print)

Address: 8108 Vista Forest DR
ROANOKA, VA. 24018

Copy of Notices to: _____

SECURED PARTIES:

200 PARK LLC

By: _____
Name: _____
Title: _____


If an entity:

By: _____
Name: _____
Title: _____

Address: _____

Copy of Notices to: _____

If an individual:

X  _____
Name: KOSTI SHIRVUMIAN
(print)

Address: 23 CORPORATE PLAZA, STE 247
NB, CA 92660

Copy of Notices to: _____

SECURED PARTIES:

200 PARK LLC

By: _____
Name: _____
Title _____

If an entity: ENDRUM INVESTMENTS LIMITED

By: _____
Name: ROGER CARPENTER

Title: AUTHORISED SIGNATORY OF BUSINESS ADMINISTRATION LIMITED
CORPORATE DIRECTOR OF ENDRUM INVESTMENTS LIMITED

Address: 2ND FLOOR, CHARLOTTE HOUSE, CHARLOTTE ST.,
NASSAU, N.P., BAHAMAS, P.O. Box N. 341

Copy of Notices to: AS ABOVE

If an individual:

Name: _____
(print)

Address: _____

Copy of Notices to: _____

SECURED PARTIES:

200 PARK LLC

By: _____
Name: _____
Title: _____

If an entity:

By: _____
Name: _____
Title: _____

Address: _____

Copy of Notices to: _____

If an individual:

Frank A. Fanello
Name: FRANK A FANELLO
(print)

Address: 100 BECKMAN ST 20J
NEW YORK N.Y 10038

Copy of Notices to: _____

