

08-27-1999



101129746

RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

8/25/99

8-25-99

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

Submission Type

- New
- Resubmission (Non-Recordation)
Document ID #
- Correction of PTO Error
Reel # Frame #
- Corrective Document
Reel # Frame #

Conveyance Type

- Assignment License
- Security Agreement Nunc Pro Tunc Assignment
Effective Date
Month Day Year
- Merger
- Change of Name
- Other

Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name

Formerly

- Individual General Partnership Limited Partnership Corporation Association

Other

Citizenship/State of Incorporation/Organization

Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)

City

State/Country

Zip Code

- Individual General Partnership Limited Partnership

- Corporation Association

Other

Citizenship/State of Incorporation/Organization

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

08/26/1999 MTHAI1 00000271 75065509

FOR OFFICE USE ONLY

01 FC:481 40.00 CP
02 FC:482 175.00 CP

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

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Pages

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

#

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

Mark if additional numbers attached

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

Trademark Application Number(s)			Registration Number(s)		
<input type="text" value="75/065,509"/>	<input type="text" value="75/696,318"/>	<input type="text"/>	<input type="text" value="2,095,970"/>	<input type="text"/>	<input type="text"/>
<input type="text" value="75/667,028"/>	<input type="text" value="75/763,900"/>	<input type="text"/>	<input type="text" value="2,166,426"/>	<input type="text"/>	<input type="text"/>
<input type="text" value="75/667,030"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="1,796,858"/>	<input type="text"/>	<input type="text"/>

Number of Properties

Enter the total number of properties involved.

#

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41):

\$

Method of Payment: Enclosed Deposit Account

Deposit Account

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

Deposit Account Number: #

Authorization to charge additional fees: Yes No

Statement and Signature

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

Leigh C. Freer

Name of Person Signing

Leigh C. Freer
Signature

August 24, 1999
Date Signed

TRADEMARK SECURITY AGREEMENT

THIS AGREEMENT is made as of this 23rd day of August, 1999, between **DIGITAL RECORDERS, INC.**, a North Carolina corporation having its principal place of business at 4018 Patriot Drive, Suite 100, Durham, North Carolina 27709 (the "Company"), and **FREMONT FINANCIAL CORPORATION**, a California corporation having an office at 1000 Abernathy Road, Building 400, Suite 1500, Atlanta, Georgia 30328 ("Lender").

W I T N E S S E T H:

WHEREAS, the Company desires to obtain loans from Lender pursuant to a certain Loan and Security Agreement, dated as of the date hereof among the Company, the other borrowers noted therein and Lender (as at any time amended, the "Loan Agreement"); and

WHEREAS, Lender is willing to make loans to the Company from time to time, in Lender's discretion, provided the Company executes this Agreement;

WHEREAS, the Company has contemporaneously herewith pursuant to the Loan Agreement, granted to Lender a lien upon and security interest in the Company's now existing or hereafter acquired inventory, machinery, equipment, equipment formulations, manufacturing procedures, quality control procedures and product specifications relating to products sold under the Trademarks (as hereinafter defined);

NOW, THEREFORE, for Ten Dollars (\$10.00) and other valuable consideration, and in consideration of the premises, the Company hereby agrees with Lender as follows:

1. All capitalized terms used herein and in the Recitals hereto, unless otherwise defined, shall have the meanings ascribed to them in the Loan Agreement. Whenever the word "including" is used in this Agreement, it shall mean "including, without limitation."

2. To secure the payment and performance of the Obligations, the Company hereby pledges, assigns and grants to Lender a continuing security interest in and lien upon all of the following property of the Company, whether now owned or existing or hereafter acquired (the "Collateral"):

a. all trademarks, trademark registrations, trade names and trademark applications, including each trademark and application listed on Schedule A attached hereto and made a part hereof (as the same may be amended from time to time), and (i) all renewals thereof, (ii) all income, royalties, damages and payments now or hereafter due or payable

with respect thereto, including damages and payments for past or future infringement or dilution thereof or injury to the associated goodwill, (iii) the right to sue for past, present and future infringement or dilution thereof or injury to the associated goodwill, and (iv) all rights corresponding thereto throughout the world (all of the foregoing trademarks, trademark registrations, trade names and applications, together with the items described in clauses (i)-(iv), are hereinafter collectively referred to as the "Trademarks");

b. the goodwill of the Company's business connected with and symbolized by each Trademark; and

c. all products and proceeds of the foregoing.

3. The Company represents and warrants that:

a. Each of the Trademarks is subsisting and has not been adjudged invalid or unenforceable;

b. Upon filing of this Agreement in the United States Patent and Trademark Office, this Agreement will create a legal and valid perfected lien upon and security interest in the Collateral (other than foreign trademarks), enforceable against Borrower and all third Persons in accordance with its terms;

c. No claim has been made that the use of any of the Trademarks does or may violate the rights of any third person; and

d. The Company has the unqualified right to enter into this Agreement and perform its terms.

4. The Company covenants and agrees that:

a. Each of the Trademarks is valid and enforceable;

b. The Company is the sole and exclusive owner of the entire right, title and interest in and to each of the Collateral, free and clear of any liens, charges and encumbrances, including pledges, assignments, licenses, registered user agreements and covenants by the Company not to sue third Persons;

c. The Company will maintain the quality of the products associated with the Trademarks, at a level consistent with the quality at the time of this Agreement, and will provide Lender quarterly with a certificate to that effect in the form attached hereto as Exhibit 1 executed by an officer of the Company;

d. The Company will lessen the quality of the products associated with the Trademarks without Lender's prior written consent; and

e. The Company has used and will continue to use for the duration of this Agreement, proper statutory notice in connection with its use of the Trademarks, and has made and will make all appropriate filings with the United States Patent and Trademark Office to maintain the Trademark registrations in existence, including filing an affidavit of use with the United States Patent and Trademark Office during the sixth year of registration for each Trademark as required by law.

5. The Company hereby grants to Lender and its employees and agents the right upon prior notice to the Company to visit the Company's plants and facilities which manufacture, inspect or store products sold under any of the Trademarks and to inspect the products and quality control records relating thereto at reasonable times during regular business hours. The Company shall do any and all acts required by Lender to ensure the Company's compliance with paragraph 4(c) of this Agreement.

6. The Company agrees that, until all of the Obligations have been satisfied in full, it will not enter into any agreement (including any license agreement) which is inconsistent with the Company's duties under this Agreement.

7. If, before the Obligations have been satisfied in full, the Company shall obtain rights to any new trademarks, or become entitled to the benefit of any trademark application or trademark or any renewal of any Trademark, the provisions of paragraph 2 hereof shall automatically apply thereto, and the Company shall give to Lender prompt notice thereof in writing.

8. The Company authorizes Lender to modify this Agreement by amending Schedule A to include any future trademarks and trademark applications within the definition of Trademarks under paragraph 2 or paragraph 7 hereof.

9. Upon and at any time after the occurrence of an Event of Default (as defined in the Loan Agreement), Lender shall have, in addition to all other rights and remedies given it by this Agreement, all rights and remedies under applicable law and all rights and remedies of a secured party under the Uniform Commercial Code as adopted and then in force in the State of Georgia. Without limiting the generality of the foregoing, Lender may immediately, without notice or demand, each of which the Company hereby waives, collect directly any payments due the Company in respect of the Collateral, or sell at public or private sale or otherwise realize upon all or from time to time, any of the Collateral. The Company hereby agrees that ten (10) days written notice to the Company of any public or private sale or other disposition of any of the Collateral shall be reasonable notice; provided, however, that no notice shall be required hereunder if not otherwise required by applicable law. At any such sale or disposition, Lender may, to the extent permitted by applicable law, purchase the whole or any part of the Collateral sold, free from any right of redemption on the part of the Company, which right the Company hereby waives and releases. After

deducting from the proceeds of such sale or other disposition of the Collateral all costs and expenses incurred by Lender in enforcing its rights hereunder (including all attorneys' fees and legal expenses), Lender shall apply the remainder of such proceeds to the payment of the Obligations in such order and manner as Lender in its sole discretion may determine. Any remainder of the proceeds after payment in full of the Obligations shall be paid over to the Company. If any deficiency shall arise, the Company and each guarantor of the Obligations shall remain jointly and severally liable to Lender therefor.

10. The Company hereby makes, constitutes and appoints Lender and any officer or agent of Lender as Lender may select as the Company's true and lawful attorney-in-fact, with full power to do any or all of the following if an Event of Default shall occur and be continuing: to endorse the Company's name on all applications, documents, papers and instruments necessary for Lender to use the Trademarks, or to grant or issue any exclusive or nonexclusive license under the Trademarks to any other Person, or to assign, pledge, convey or otherwise transfer title in or dispose of the Collateral to any other Person. The Company hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney shall be irrevocable until all of the Obligations shall have been satisfied in full and the Loan Agreement shall have been terminated.

11. At such time as all of the Obligations shall have been satisfied finally and in full and the Loan Agreement shall have been terminated, Lender shall execute and deliver to the Company, without representation, warranty or recourse, at the Company's expense, all releases and other instruments necessary to terminate Lender's security interest in the Collateral, subject to any disposition thereof which may have been made by Lender pursuant to the terms of this Agreement, the Loan Agreement or any other Loan Document.

12. Any and all fees, costs and expenses, of whatever kind or nature, including reasonable attorneys' fees and legal expenses, incurred by Lender in connection with the preparation of this Agreement and all other documents relating hereto and the consummation of this transaction, the filing or recording of any documents (including all taxes in connection therewith) in public offices, the payment or discharge of any taxes, counsel fees, maintenance fees, encumbrances or otherwise protecting, maintaining, or preserving the Collateral, or in defending or prosecuting any actions or proceedings arising out of or related to the Collateral, shall be borne and paid by the Company (it being the intent of the Company and Lender that the Company shall be responsible for the payment of all sums, fees, costs and expenses, including all renewal fees with respect to the Trademarks) or, if paid Lender, shall be paid by the Company **on demand** to Lender and until so paid shall be added to the principal amount of the Obligations and shall bear interest at the rate prescribed in the Loan Agreement.

13. The Company shall use its best efforts to detect any infringers of the Trademarks and shall notify Lender in writing of infringements detected. The Company shall have the duty, through counsel acceptable to Lender, to prosecute diligently any trademark application of the Trademarks pending as of the date of this Agreement or thereafter until the Obligations shall have been paid in full, to make federal application on registrable but unregistered Trademarks, to file and prosecute

opposition and cancellation proceedings, to file and prosecute lawsuits to enforce the Trademarks and to do any and all acts which are deemed necessary or desirable by Lender to preserve and maintain all rights in the Trademarks. Any expenses incurred in connection with such applications or proceedings shall be borne by the Company. The Company shall not abandon any right to file a trademark application, or any pending trademark application or Trademark without the consent of Lender.

14. Without limiting the obligations of the Company described in paragraph 13 hereof, after Lender's receipt of notice from the Company as provided in paragraph 13, or if Lender reasonably believes the act of any Person constitutes an infringement of any Trademark, or a violation of any right of the Company or Lender therein, or an unlawful or unauthorized thereof, Lender shall have the right (but shall not be obligated) to take such steps and institute such suits or proceedings as Lender shall deem necessary or advisable in its own name, or in the name of the Company or in the names of Lender and the Company jointly, to enforce the Trademarks and any license thereunder, or to protect the rights of the parties thereunder, in which event the Company shall at the request of Lender do any and all lawful acts (including bringing suit) and execute any and all proper documents required by Lender to aid such enforcement, and the Company shall promptly, **upon demand**, reimburse and indemnify Lender for all costs and expenses incurred in the exercise of Lender's rights under this paragraph 14. Nothing herein shall be deemed to prohibit the Company from bringing any such suit in its own name at any time that an Event of Default does not exist, if Lender declines to institute such suit.

15. If the Company fails to comply with any of its obligations hereunder, to the extent permitted by applicable law, Lender may do so in the Company's name or in Lender's name, but at the Company's expense, and the Company agrees to reimburse Lender in full for all expenses, including attorneys' fees and legal expenses, incurred by Lender in prosecuting, defending or maintaining the Trademarks or Lender's interest therein pursuant to this Agreement.

16. No course of dealing between the Company and Lender, nor any failure to exercise, nor any delay in exercising, on the part of Lender, any right, power or privilege hereunder or under the Loan Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

17. All of Lender's rights and remedies with respect to the Collateral, whether established by this Agreement, by the Loan Agreement, by any other agreements or by Applicable Law shall be cumulative and may be exercised singularly or concurrently.

18. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

19. This Agreement is subject to modification only by a writing signed by the parties, except as provided in paragraph 8 hereof.

20. The benefits and burdens of this Agreement shall inure to the benefit of and be binding upon the successors and assigns of Lender and upon the successors of the Company. The Company shall not assign its rights or delegate its duties hereunder without the prior written consent of Lender.


21. Notice of acceptance hereof is hereby waived by the Company.

22. This Agreement has been negotiated, executed and delivered at and shall be deemed to have been made in Atlanta, Georgia. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Georgia.

23. THE COMPANY AND LENDER EACH WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE COLLATERAL.

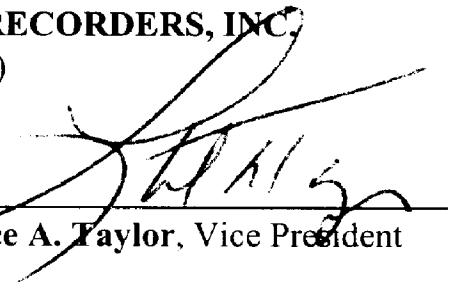
WITNESS the execution hereof under seal as of the day and year first above written.

ATTEST:



David M. Furr, Assistant Secretary
[CORPORATE SEAL]

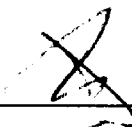
DIGITAL RECORDERS, INC.
("Company")

By: 

Lawrence A. Taylor, Vice President

Accepted in Atlanta, Georgia:

FREMONT FINANCIAL CORPORATION
("Lender")

By: 

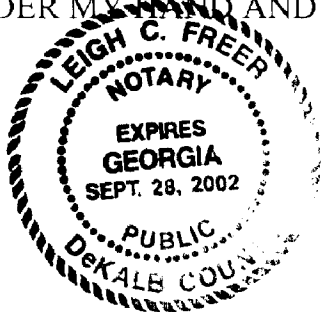
Title: Charles C. Cunniff
Vice President

[Acknowledgment appearing on following page]

STATE OF GEORGIA §
 §
COUNTY OF FULTON §

BEFORE ME, the undersigned authority, on this day personally appeared Lawrence A. Taylor, Vice President of Digital Recorders, Inc., to me known to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this 23rd day of August, 1999.



Leigh C. Freer
Notary Public
My Commission Expires: 9-28-2002

[NOTARIAL SEAL]

STATE OF GEORGIA)
)
COUNTY OF FULTON)

BEFORE ME, the undersigned authority, on this day personally appeared Carlos Chang of Fremont Financial Corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this 23rd day of August, 1999.



Leigh C. Freer
Notary Public
My Commission Expires: 9-28-2002

[NOTARIAL SEAL]

EXHIBIT 1

CERTIFICATE

The undersigned officer of **DIGITAL RECORDERS, INC.** (the "Company"), DOES HEREBY CERTIFY to **FREMONT FINANCIAL CORPORATION** ("Lender") that the quality of the products associated with the Trademarks listed on Schedule A of the Trademark Security Agreement dated August 23, 1999, between the Company and Lender (as amended from time to time to include future trademarks and trademark applications) (the "Agreement"), has been maintained at a level consistent with the quality of such products at the time of the execution of the Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Certificate, this ___ day of _____, _____.

DIGITAL RECORDERS, INC.

By: _____

Title: _____

SCHEDULE A

Registrations -
United States Patent and Trademark Office

<u>Trademark of Service Mark</u>	<u>Registration No.</u>	<u>Registration Date</u>
MISCELLANEOUS DESIGN (Bus Logo) (Next Stop Main & Elm Metro's Talking Bus)	2,095,970	September 9, 1997
TWINVISION	2,166,426	June 16, 1998
TALKING BUS	1,796,858	October 5, 1993

Pending Applications
United States Patent and Trademark Office

<u>Trademark or Service Mark</u>	<u>Serial No.</u>	<u>Filing Date</u>
DIGITAL RECORDERS	75/065,509	February 20, 1996
MAKING YOUR LIFE A LITTLE EASIER	75/667,028	March 29, 1999
ADVANCED TECHNOLOGY- ENHANCING MOBILITY	75/667,030	March 24, 1999
DRI	75/696,318	May 3, 1999
DAC and DESIGN	75/763,900	July 29, 1999