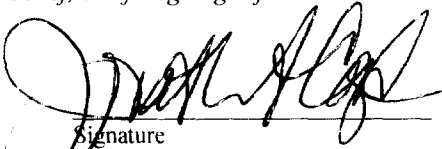


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To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.	
1. Name(s) of conveying party(ies) Verance Corporation 4-9-02 Additional name(s) of conveying party(ies) attached? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	2. Name and address of receiving party(ies) Constellation Venture Capital II, L.P.
3. Nature of conveyance: <input type="checkbox"/> Assignment <input type="checkbox"/> Merger <input checked="" type="checkbox"/> Security Agreement <input type="checkbox"/> Change of Name <input type="checkbox"/> Other Execution Date: April 1, 2002	Street Address: 383 Madison Avenue New York, New York 10179 Additional name(s) & address(es) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4. Application number(s) or patent number(s): If this document is being filed together with a new application, the filing date of the application is _____ A. Patent Application No.(s) B. Patent No.(s) See Schedule attached hereto Additional numbers attached? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
5. Name and access of party to whom correspondence Concerning document should be mailed: Howard J. Rothman, Esq. Kramer Levin Naftalis & Frankel LLP 919 Third Avenue New York, New York 10022	6. Total number of applications and patents involved: <u>56</u> 7. Total fee (37CFR 3.41). <u>\$2240.00</u> <input checked="" type="checkbox"/> Enclosed <input type="checkbox"/> Authorized to be charged to deposit account 8. Deposit account number <u>50-0540</u> (attached duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature <i>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</i>	
Jonathan S. Caplan, Reg. No. 38,094 Name of Person Signing	 Signature
Date <u>4/9/02</u>	
Total number of pages including cover sheet attachments and documents: 32	

04/19/2002 6TOM11 00000082 60008287

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2240.00 OP

Express Mail Label No.: EV032056111US
Date of Deposit: April 9, 2002

PATENT
REEL: 012785 FRAME: 0477

Schedule

A) Patent Application Nos.

B) Patent Nos.

60/008,287	D375,098
60/008,288	D376,148
60/008,369	5,822,360
60/082,488	5,687,191
60/082,489	5,719,937
60/082,577	5,937,000
60/085,186	5,940,429
60/087,017	5,901,178
60/087,020	6,175,627
60/282,241	5,963,909
60/290,205	5,940,135
08/458,646	6,145,081
09/077,679	6,005,501
09/106,213	5,774,452
09/505,080	6,154,484
09/535,154	5,828,325
09/651,729	6,332,120
09/692,084	6,252,522
09/708,810	
09/721,015	
10/066,039	
PCT/US96/13516	
PCT/US96/19234	
PCT/US96/19370	
PCT/US96/19283	
PCT/US97/21952	
PCT/US98/03578	
PCT/US98/15111	
PCT/US99/08635	
PCT/US99/08675	
PCT/US99/11526	
PCT/US99/23564	
PCT/US99/28343	
PCT/US00/07632	
PCT/US00/14445	
PCT/US01/40013	
PCT/US01/09305	
PCT/US01/26505	

SECURITY AGREEMENT

SECURITY AGREEMENT (this "Agreement"), is entered into as of April 1, 2002, by Verance Corporation, a Delaware corporation ("Verance") in favor of Constellation Venture Capital II, L.P. having an address at 383 Madison Avenue, New York, NY 10179, as Agent (in such capacity and collectively with any successor agent, the "Agent"), for the benefit of the "Secured Parties" (as defined below). Capitalized terms used without definition herein shall have the meanings given to such terms in the Verance Notes and the Purchase Agreement referred to below.

WITNESSETH:

WHEREAS, pursuant to the terms of the Convertible Senior Secured Note and Warrant Purchase Agreement dated as of the date hereof (the "Purchase Agreement") and the Senior Secured Convertible Promissory Notes issued pursuant thereto (as amended, modified or supplemented, the "Verance Notes"), in favor of each of the persons and entities listed as Initial Purchasers on Schedule I to the Purchase Agreement and each New Purchaser purchasing Verance Notes subsequent to the date hereof (such Initial Purchasers and New Purchasers, collectively, the "Secured Parties"), the Secured Parties have committed to make the Loans available to Verance as evidenced by the Verance Notes in favor of each such Secured Party;

WHEREAS, it is a condition precedent to each Secured Party making the Loans to Verance that Verance executes this Agreement, in favor of the Agent.

NOW, THEREFORE, in consideration of the foregoing premises and in order to induce the Secured Parties to make the Loans evidenced by the Verance Notes to Verance, Verance and Agent (on behalf of the Secured Parties) hereby agree as follows:

Section 1. GRANT AND PLEDGE OF SECURITY. Verance hereby assigns and pledges to Agent, and hereby grants to Agent, for the benefit of the Secured Parties, a security interest in, the following, in each case, as to each type of property described below, whether now owned or hereafter owned or acquired, wherever located and whether now or hereafter existing (collectively, the "Collateral"):

(a) all of Verance's right, title and interest in and to all "equipment", as such term is defined in the Uniform Commercial Code as in effect on the date hereof in the State of New York (the "New York UCC"), now or hereafter owned by Verance and, in any event, shall include, but shall not be limited to, all machinery, equipment, furnishings, movable trade fixtures and vehicles and any or all additions, substitutions and replacements of any of the foregoing, wherever located, together with all attachments, components, parts, equipment and accessories installed thereon or affixed thereto, together with all condemnation awards, materials, appurtenances, rights and other property interests now or at any time hereafter owned by Verance (any and all such

machinery, property, equipment, furnishings, fixtures, attachments, components, parts and accessions being the "Equipment";

(b) all of Verance's right, title and interest in and to all merchandise, inventory and goods, if any, in all of their forms, including, without limitation, (i) all raw materials, work in process therefor, finished products and other goods and materials used or consumed in the manufacture or production thereof (including, without limitation, all wrapping, packaging, advertising, shipping materials, labels and other devices, names or marks affixed or to be affixed thereto for purposes of selling or of identifying the same or the seller or manufacturer thereof owned, consumed, used or held for use or sale, directly or indirectly, by, or on behalf of or for the account of Verance), (ii) goods in which Verance has an interest in mass or a joint or other interest or right of any kind (including, without limitation, goods in which Verance has an interest or right as consignee), (iii) goods that are returned to or repossessed by Verance, and (iv) all "inventory" as such term is defined in the New York UCC and all additions, substitutions and replacements thereof, and all accessions thereto and products thereof and documents therefor (any and all such inventory, accessions, products and documents being the "Inventory");

(c) all of Verance's right, title and interest in and to any "account" and "general intangibles" as each such term is defined in the New York UCC and, in any event, shall include, but shall not be limited to, all accounts, contract rights, "chattel paper" (as defined in the New York UCC and hereinafter referred to as "Chattel Paper"), instruments, deposit accounts, general intangibles and other rights and obligations of any kind, whether or not arising out of or in connection with the sale or lease of goods, or the rendering of services, and all rights now or hereafter existing in and to all security agreements, leases and other contracts, and all guaranties, endorsements and indemnifications on, or of, any of the foregoing, securing or otherwise relating to any such accounts, contract rights, Chattel Paper, instruments, deposit accounts, general intangibles, rights or obligations (any and all such accounts, contract rights, Chattel Paper, instruments, deposit accounts, general intangibles, rights and obligations, to the extent not referred to in clause (d), (e), (f), (g) or (h) below, being the "Receivables", and any and all such leases, security agreements and other contracts being the "Related Contracts");

(d) all of Verance's right, title and interest in and to each of its material agreements (including the protection and management of third party's entertainment and media content (the "Management Contracts")), in each case as such agreements may be amended or otherwise modified from time to time (collectively, the "Assigned Agreements"), including, without limitation, (i) all rights of Verance to receive moneys due and to become due under or pursuant to the Assigned Agreements, (ii) all rights of Verance to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to the Assigned Agreements, (iii) all rights, if any, of Verance pursuant to all contracts between Verance and any third party relating to the Management Contracts, (iv) claims of Verance for damages arising out of or for breach of or default under the Assigned Agreements and (v) the right of Verance to terminate the Assigned Agreements, to perform thereunder and to compel performance and otherwise exercise all remedies thereunder (all such Collateral being the "Agreement Collateral");

(e) all of the following (collectively, the “Account Collateral”):

(i) all deposit accounts of Verance, all funds held therein and all certificates and instruments, if any, from time to time representing or evidencing such deposit accounts;

(ii) all notes, certificates of deposit, deposit accounts, checks and other instruments from time to time hereafter delivered to or otherwise possessed by Agent for or on behalf of Verance in substitution for or in addition to any or all of the then existing Account Collateral; and

(iii) all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the then existing Account Collateral;

(f) all of Verance’s right, title and interest in and to all general intangibles of Verance (other than general intangibles for money due or to become due and described in clause (c) above), including, without limitation, all trademarks, trade names, trade styles, trade secrets, service marks, logos, copyrights, patents, patent applications, computer programs and all permits, licenses (written or oral), license applications, registrations and goodwill relating to or associated with any of the foregoing;

(g) all of the Computer Hardware and Software Collateral, Copyright Collateral, Patent Collateral, Trademark Collateral and Trade Secrets Collateral, in each case as defined on Schedule III hereto (collectively, the “Intellectual Property Collateral”); provided, however, that Intellectual Property Collateral shall not include any item leased by or licensed to Verance pursuant to an agreement that prohibits the granting by Verance of a security interest in such item;

(h) all proceeds of any and all of the foregoing Collateral (including, without limitation, proceeds that constitute property of the types described in clauses (a) through (g) of this Section 1 and all accessions and additions to, all substitutions for and all proceeds, products, substitutions and replacement of any and all of the foregoing) and, to the extent not otherwise included, all (i) payments under insurance (whether or not Secured Parties are the loss payees thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise and any and all other products of, or any rents, profits or other amounts from time to time paid or payable with respect to any of the foregoing Collateral and (ii) cash (collectively, the “Proceeds”).

Section 2. SECURITY FOR OBLIGATIONS. This Agreement secures the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all obligations and liabilities (including, without limitation, the principal of and interest on the Verance Notes issued by, and the Loans evidenced by the Verance Notes made to, Verance, and all indemnities, fees and interest thereon or owed thereunder) of Verance to Secured Parties, whether now existing or hereafter incurred under, arising out of or in connection with the Verance Notes, or any other document related thereto to which Verance is a party and the due performance and compliance by Verance with all of the terms, conditions and agreements

contained in the Verance Notes and such other documents (all such principal, interest, indemnities, fees, obligations and liabilities being herein collectively called the "Secured Obligations"). Without limiting the generality of the foregoing, this Agreement secures the payment of all amounts that constitute part of the Secured Obligations that would be owed by Verance to the Secured Parties under the Verance Notes and any other document related thereto but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving Verance.

Section 3. VERANCE REMAINS LIABLE. Anything herein to the contrary notwithstanding, (a) Verance shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by Agent of any of the rights hereunder shall not release Verance from any of its duties or obligations under the contracts and agreements included in the Collateral, and (c) Agent shall not have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement or the Verance Notes, nor shall Agent be obligated to perform any of the obligations or duties of Verance thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

Section 4. COLLATERAL. (a) Delivery of Account Collateral. All certificates or instruments representing or evidencing Account Collateral shall be delivered to and held by Agent on behalf of Secured Parties and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to Agent. Subject to Section 14, upon the occurrence and during the continuance of an Event of Default under the Verance Notes, Agent shall have the right, at any time in its discretion and without notice to Verance, to transfer to or to register in the name of Agent or any of its nominees any or all of the Account Collateral. In addition, Agent shall have the right at any time to exchange certificates or instruments representing or evidencing Account Collateral for certificates or instruments of smaller or larger denominations.

(b) Agent's Duty of Care. Agent shall have no duty of care with respect to the Collateral except that Agent shall exercise reasonable care with respect to the Collateral in Agent's custody. Agent shall be deemed to have exercised reasonable care if (i) such property is accorded treatment substantially equal to that which Agent accords its own property or similar property of other Persons held by Agent, or (ii) Agent takes such action with respect to the Collateral as Verance shall request in writing; however, neither (a) Agent's failure to comply with any such request or to do any such act requested by Verance nor (b) Agent's failure to take steps to preserve rights against any persons in such property shall be deemed a failure to exercise reasonable care. Verance agrees that Agent does not have any obligation to take steps to preserve rights against any prior parties.

Section 5. REPRESENTATIONS, WARRANTIES AND COVENANTS. Without duplication, but subject to the disclosures set forth on the schedules to the Purchase Agreement, Verance hereby confirms and ratifies the representation and warranties contained in the Verance Notes, and subject to the disclosures set forth on the schedules to the Purchase Agreement, Verance further represents, warrants, agrees and covenants as to itself and its

Collateral, which representations, warranties, agreements and covenants shall survive execution and delivery of this Agreement, as follows:

(a) All of the Equipment is located at the places specified on Part I of Schedule I hereto. All Inventory, if any, is located at the places specified on Part II of Schedule I hereto. The chief place of business and chief executive office of Verance and the office where Verance keeps its records concerning the Receivables, and the original copies of each Assigned Agreement and all originals of all Chattel Paper, are located at the address specified for Verance in Section 20(g).

(b) Verance is, and at all times this Agreement remains in effect shall be, the legal and beneficial owner of the Collateral owned by it free and clear of any Lien, except for the security interest created under this Agreement, any security interest created under the other Transaction Documents and any other Permitted Liens. Verance shall defend the Collateral against all claims and demands of all persons or entities at any time claiming the same or any interest therein adverse to Agent. No effective financing statement or other instrument similar in effect covering or purporting to cover all or any part of the Collateral is on file in any recording office, except such as may have been filed in favor of Agent relating to this Agreement.

(c) Set forth on Schedule II hereto is a complete and accurate list as of the date hereof of all names under which Verance is doing business, including, without limitation, trade names, division names and fictitious names.

(d) Verance has exclusive possession and control of the Equipment and the Inventory that it owns.

(e) The Assigned Agreements have been duly authorized, executed and delivered by Verance and, to the best knowledge of Verance, by all other parties thereto, have not been amended or otherwise modified, are in full force and effect and are binding upon and enforceable against Verance in accordance with their terms. There exists no default under any Assigned Agreement by any party thereto actually known to Verance.

(f) This Agreement creates valid security interests in favor of the Agent, on its own behalf and on behalf of the Secured Parties, in the Collateral, and the filing of the Financing Statements with respect to the Collateral and the taking of possession by the Agent of all instruments and cash, if any, constituting Collateral from time to time will perfect and establish the priority of such security interests, securing payment of the Loans. Upon such filing or possession, as the case may be, all filing, possession, and other actions necessary or desirable to perfect and protect such security interests will have been duly taken.

(g) No consent of any other person or entity and no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or other third party is required (i) for the grant by Verance of the assignment and security interest granted hereunder or for the execution, delivery or performance of this Agreement by Verance, (ii) for the perfection or maintenance of the pledge, assignment

and security interest created hereunder (including the first priority nature of such pledge, assignment or security interest), except for the filing of Financing and/or Continuation Statements under the UCC, which Financing Statements have been duly filed and are effective, under applicable law, to perfect the security interest granted to Agent herein, or (iii) for the exercise by Agent of the rights provided for in this Agreement or the remedies in respect of the Collateral pursuant to this Agreement.

(h) This Agreement is made with full recourse to Verance (including, without limitation, with full recourse to all assets of Verance) and pursuant to and upon all warranties, representations, covenants and agreements on the part of Verance contained herein, in the Verance Notes and otherwise in writing in connection herewith.

(i) With respect to any Intellectual Property Collateral the loss, impairment or infringement of which might have a materially adverse effect on the financial condition, operation, assets, business, properties or prospects of Verance:

(i) such Intellectual Property Collateral is subsisting and has not been adjudged invalid or unenforceable, in whole or in part;

(ii) to the knowledge of Verance such Intellectual Property Collateral is valid and enforceable;

(iii) Verance has made or will, within a reasonable period of time after the Closing Date, make all reasonably necessary filings and recordations to protect its respective interests in such Intellectual Property Collateral, including, without limitation, recordations of all of their respective interests in the Patent Collateral and Trademark Collateral in the United States Patent and Trademark Office and its claims to the Copyright Collateral in the United States Copyright Office;

(iv) Verance either (A) is the exclusive owner of the entire and unencumbered right, title and interest in and to such Intellectual Property Collateral or (B) has an unencumbered right to use such Intellectual Property Collateral, and, in either case, no claim has been made that the use of such Intellectual Property Collateral does or may violate the asserted rights of any third party; and

(v) Verance has performed and will continue to perform all reasonable acts and has paid and will continue to pay all required fees and taxes to maintain each and every item of Intellectual Property Collateral in full force and effect.

Verance owns directly or is entitled to use by license or otherwise, all patents, Trademarks, Trade Secrets, copyrights, licenses, technology, know how, processes and rights with respect to any of the foregoing used in, necessary for or of importance to the conduct of Verance's business.

Section 6. FURTHER ASSURANCES. Verance agrees that from time to time, at its own expense, it shall promptly execute and deliver all further instruments and

documents, and take all further action, that may be reasonably necessary or desirable, or that Agent may reasonably request, in order to perfect and protect any pledge, assignment or security interest granted or purported to be granted hereby or to enable Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, Verance will: (i) if any Collateral shall be evidenced by a promissory note or other instrument or Chattel Paper, deliver and pledge to Agent hereunder such note or instrument duly indorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance reasonably satisfactory to Agent; and (ii) execute and file such Financing or Continuation Statements, or amendments thereto, and such other instruments or notices, including but not limited to subsequent recordations and filings with the United States Patent and Trademark Office, as may be reasonably necessary or desirable, or as Agent may reasonably request, in order to perfect and preserve the pledge, assignment and security interest granted or purported to be granted hereunder.

Verance hereby authorizes Agent to file one or more Financing or Continuation Statements, and amendments thereto, relating to all or any part of the Collateral without the signature of Verance where permitted by law. A photocopy or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a Financing Statement where permitted by law.

Section 7. AS TO EQUIPMENT AND INVENTORY.

(a) Verance shall keep the Equipment and the Inventory at the places therefor specified in Section 5(a) or, upon prior written notice to Agent, at such other places in a jurisdiction where all action required by Section 6 shall have been taken with respect to such Equipment and the Inventory.

(b) Verance shall cause the Equipment owned by it to be maintained and preserved in the same condition, repair and working order as when new, ordinary wear and tear excepted, and in accordance with any manufacturer's manual where applicable, and shall forthwith, or in the case of any loss or damage to any of such Equipment as quickly as practicable after the occurrence thereof, make or cause to be made all repairs, replacements and other improvements in connection therewith that are necessary or desirable to such end. Verance shall promptly furnish to Agent a statement respecting any material loss or damage to any of the Equipment owned by it.

(c) Verance shall pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including, without limitation, claims for labor, materials and supplies) against, the Equipment and Inventory owned by it, except those being contested diligently in good faith.

Section 8. INSURANCE. Verance shall, at its own expense, maintain insurance with respect to the Equipment and the Inventory in such form and with responsible and reputable insurance companies or associations in such amounts and covering such risks as are currently maintained by Verance which shall be reasonably satisfactory to Agent from time to time.

Section 9. PLACE OF PERFECTION; RECORDS; COLLECTION OF RECEIVABLES. Verance shall keep its chief place of business and chief executive office and the office where it keeps its records concerning the Collateral owned by it, and the original copies of the Assigned Agreements and all originals of all Chattel Paper that evidence Receivables, at the location therefor specified in Section 5(a) or, upon prior written notice (including as set forth on Schedule 9 hereto, which shall constitute prior written notice) to Agent, at such other location in a jurisdiction where all actions required by Section 6 shall have been taken with respect to the Collateral.

Section 10. AS TO THE ASSIGNED AGREEMENTS. Verance shall, at its own expense:

(i) perform and observe all the terms and provisions of the Assigned Agreements to be performed or observed by it, maintain the Assigned Agreements in full force and effect in accordance with their terms, enforce the Assigned Agreements in accordance with their terms and take all such action to such end as may be from time to time requested by Agent; and

(ii) furnish to Agent promptly upon receipt thereof copies of all notices, requests and other documents received by Verance under or pursuant to the Assigned Agreements, and from time to time (A) furnish to Agent such information and reports regarding the Collateral as Agent may request and (B) upon request of Agent make to each other party to any Assigned Agreement such demands and requests for information and reports or for action Verance is entitled to make thereunder.

Section 11. ASSIGNED AGREEMENTS, CONTINUED. Verance agrees not: (i) to cancel or terminate any Assigned Agreement or consent to or accept any cancellation or termination thereof other than in the ordinary course of business; (ii) to amend or otherwise modify any Assigned Agreement or give any consent, waiver or approval thereunder other than in the ordinary course of business; (iii) to waive any default under or breach of any Assigned Agreement other than in the ordinary course of business; (iv) to consent to or permit or accept any prepayment of amounts to become due under or in connection with any Assigned Agreement, except as expressly provided therein other than in the ordinary course of business; or (v) to take any other action in connection with any Assigned Agreement that would impair the value of the interest or rights of Verance thereunder or that would impair the interest or rights of Agent.

Section 12. AS TO INTELLECTUAL PROPERTY COLLATERAL. (i) Verance shall not unless it shall either (A) reasonably and in good faith determine (and notice of such determination shall have been delivered to the Agent) that any of the Patent Collateral is of negligible economic value to Verance, or (B) have a valid business purpose to do otherwise, do any act, or omit to do any act, whereby any of the Patent Collateral may lapse or become abandoned or dedicated to the public or unenforceable.

(ii) Verance shall not, and shall not permit any of its licensees to, unless Verance shall either (A) reasonably and in good faith determine (and notice

of such determination shall have been delivered to the Agent) that any of the Trademark Collateral is of negligible economic value to Verance, or (B) have a valid business purpose to do otherwise,

(1) fail to continue to use any of the Trademark Collateral in order to maintain all of the Trademark Collateral in full force free from any claim of abandonment for non-use,

(2) fail to maintain as in the past the quality of products and services offered under all of the Trademark Collateral,

(3) fail to employ all of the Trademark Collateral registered with any Federal or state or foreign authority with an appropriate notice of such registration,

(4) adopt or use any other Trademark which is confusingly similar or a colorable imitation of any of the Trademark Collateral,

(5) use any of the Trademark Collateral registered with any Federal or state or foreign authority except for the uses for which registration or application for registration of all of the Trademark Collateral has been made, or

(6) do or permit any act or knowingly omit to do any act whereby any of the Trademark Collateral may lapse or become invalid or unenforceable.

(iii) Verance shall not unless it shall either (A) reasonably and in good faith determine (and notice of such determination shall have been delivered to the Agent) that any of the Copyright Collateral or any of the Trade Secrets Collateral is of negligible economic value to Verance, or (B) have a valid business purpose to do otherwise, do or permit any act or knowingly omit to do any act whereby any of the Copyright Collateral or any of the Trade Secrets Collateral may lapse or become invalid or unenforceable or placed in the public domain except upon expiration of the end of an unrenovable term of a registration thereof.

(iv) Verance agrees to promptly notify the Agent if it knows, or has reason to know, that any application or registration relating to any material item of the Intellectual Property Collateral may become abandoned or dedicated to the public or placed in the public domain or invalid or unenforceable, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any foreign counterpart thereof or any court) regarding Verance's ownership of any of the Intellectual Property Collateral, its right to register the same or to keep and maintain and enforce the same.

(v) Neither Verance nor any of its agents, employees, designees or licensees, shall file an application for the registration of any Intellectual Property Collateral with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, unless it promptly informs the Agent, and upon request of the Agent, executes and delivers any and all agreements, instruments, documents and papers as the Agent may reasonably request to evidence the Agent's security interest in such Intellectual Property Collateral and the goodwill and general intangibles of Verance relating thereto or represented thereby.

(vi) Verance agrees to take all necessary steps, including in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue any application (and to obtain the relevant registration) filed with respect to, and to maintain any registration of, the Intellectual Property Collateral, including the filing of applications for renewal, affidavits of use, affidavits of incontestability and opposition, interference and cancellation proceedings and the payment of fees and taxes (except to the extent that dedication, abandonment or invalidation is permitted under the foregoing clauses (i), (ii) and (iii)).

(vii) To the extent applicable, Verance shall execute and deliver to the Agent an Agreement (Patent), an Agreement (Trademark) and an Agreement (Copyright) in the forms of Exhibit A, Exhibit B and Exhibit C hereto, respectively, and shall execute and deliver to the Agent any other document required to acknowledge or register or perfect the Agent's interest in any part of the Intellectual Property Collateral.

Section 13. AGENT APPOINTED ATTORNEY-IN-FACT. Verance irrevocably appoints Agent, effective upon the occurrence and during the continuation of any Event of Default, Verance's attorney-in-fact, with full authority in the place and stead of Verance and in the name of Verance or otherwise, from time to time in Agent's discretion and upon notice to Verance, to take any action and to execute any instrument that Agent may deem necessary or advisable to accomplish the purposes of this Agreement.

Section 14. AGENT MAY PERFORM. If Verance fails to perform any agreement contained herein, Agent may itself perform, or cause performance of, such agreement, and the expenses of Agent incurred in connection therewith shall be payable by Verance under Section 16(b).

Section 15. REMEDIES. If any Event of Default shall have occurred and be continuing:

(a) Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it under Section 5 of the Verance Notes or by law, all the rights and remedies of a debtor upon default under the New York UCC (whether or not the New York UCC applies to the affected Collateral)

and also may (i) require Verance to, and Verance hereby agrees that it will at its expense and upon request of Agent forthwith, assemble all or part of the Collateral owned by it as directed by Agent and make it available to Agent at a place and time to be designated by Agent and (ii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as Agent may deem commercially reasonable. Verance agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to Verance of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) All cash proceeds received by Agent in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of Agent, be held by it as collateral, and/or then or at any time thereafter applied (after payment of any amounts payable to Agent pursuant to Section 15) as Agent (following agreement with the Secured Parties) shall elect. It is understood that Verance shall remain liable to the extent of any deficiency between the amount of the proceeds of the Collateral and the aggregate amount of the Secured Obligations.

(c) Agent may exercise any and all rights and remedies of Verance under or in connection with the Assigned Agreements or otherwise in respect of the Collateral, including, without limitation, any and all rights of Verance to demand or otherwise require payment of any amount under, or performance of any provision of, any Assigned Agreement.

(d) All payments received by Verance under or in connection with any Assigned Agreement or otherwise in respect of the Collateral owned by it shall be received in trust for the benefit of Agent, on its own behalf and on behalf of the other Secured Parties, shall be segregated from other funds of Verance and shall be forthwith paid over to Agent in the same form as so received (with any necessary endorsement).

Section 16. INDEMNITY AND EXPENSES.

(a) Verance agrees to indemnify Agent from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities found in a final, appealable judgment by a court of competent jurisdiction to have resulted solely from Agent's gross negligence or willful misconduct.

(b) Verance agrees to pay to Agent, upon demand, the amount of any and all reasonable costs and expenses, including, without limitation, the reasonable fees and expenses of its counsel and of any experts and agents, that Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from or other realization upon, any of the

Collateral, (iii) the exercise or enforcement of any of the rights of Agent hereunder or (iv) the failure by Verance to perform or observe any of the provisions hereof.

Section 17. SECURITY INTEREST ABSOLUTE. The obligations of Verance under this Agreement are independent of the Secured Obligations, and a separate action or actions may be brought and prosecuted against Verance to enforce this Agreement, irrespective of the Secured Obligations. All rights of Agent and the pledge, assignment and security interest hereunder, and all obligations of Verance hereunder, shall be absolute and unconditional, irrespective of any lack of validity or enforceability of the Verance Notes or any other agreement or instrument relating thereto, any change, restructuring or termination of the corporate structure or existence of Verance or any other circumstance that might otherwise constitute a defense available to, or a discharge of, Verance.

Section 18. CONTINUING SECURITY INTEREST. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the earlier to occur of (x) the indefeasible and irrevocable payment in full in cash of the Secured Obligations or (y) the conversion in full of the Verance Notes, (b) be binding upon Verance, its respective successors and assigns and (c) inure, together with the rights and remedies of Agent hereunder, to the benefit of Agent's successors and assigns.

Upon any such termination, the Agent will, at Verance's expense, return to Verance such of the Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof and execute and deliver to Verance such documents as Verance shall reasonably request to evidence the termination of the security interest created hereunder.

Section 19. RELEASE AND TERMINATION. Upon any sale, lease, transfer or other disposition of any item of Collateral in accordance with the terms of this Agreement, Agent will, at Verance's expense, execute and deliver to Verance such documents as Verance shall reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted hereby; provided, however, that at the time of such request and such release no Event of Default shall have occurred and be continuing.

Upon the earlier to occur of (x) the indefeasible and irrevocable payment in full in cash of the Secured Obligations or (y) the conversion in full of the Verance Notes, the pledge, assignment and security interest granted hereby shall terminate and all rights to the Collateral shall revert to Verance, and, except as otherwise provided herein, all of Verance's obligations hereunder shall at such time terminate. Upon any such termination, the Agent will, at Verance's expense, return to Verance such of the Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof and execute and deliver to Verance such documents as Verance shall reasonably request to evidence the termination of the security interest created hereunder.

Section 20. MISCELLANEOUS.

(a) Amendments and Waivers. No amendment, modification, termination, or waiver of any provision of this Agreement, nor consent to any departure by Verance therefrom, shall in any event be effective unless the same shall be in writing and signed by Agent and Verance and then such waiver or consent shall be effective only in the

specific instance and for the specific purpose for which given. No notice to or demand on Verance in any case shall entitle Verance to any other or further notice or demand in similar or other circumstances.

(b) Set-Off. The obligations to make the payments provided for in this Agreement are absolute and unconditional and not subject to any defense, set-off, counterclaim, rescission, recoupment or adjustment whatsoever. Verance hereby expressly waives demand and presentment for payment, notice of non-payment, notice of dishonor, protest, notice of protest and diligence in taking any action to collect any amount called for hereunder, and shall be directly and primarily liable for the payment of all sums owing and to be owing hereon, regardless of and without any notice, diligence, act or omission with respect to the collection of any amount called for hereunder.

(c) Governing Law. To the extent permitted by applicable law, this Agreement shall be governed by and construed in accordance with the laws of the State of New York excluding the body of law relating to conflict of laws.

(d) Interpretation. In the event that any one or more of the provisions contained in this Agreement shall be determined to be invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision or provisions in every other respect and the remaining provisions of this Agreement shall not be in any way impaired.

(e) Successors and Assigns. This Agreement may be assigned by Agent upon written consent of the Secured Parties. Neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by Verance without the prior written consent of Agent. This Agreement shall be binding upon Verance and its permitted successors and assigns and shall inure to the benefit of Agent and its successors and assigns. Nothing in this Agreement, express or implied, is intended or shall be construed to give any person or entity other than the parties to this Agreement or their respective successors or assigns any legal or equitable right, remedy or claim under or in respect of any agreement or any provision contained herein. Verance will require any successor to Verance or any permitted assignee thereof (each, a "Successor"), whether direct or indirect, by purchase, merger, consolidation, operation of law or otherwise, to expressly assume and agree to perform the obligations under this Agreement in the same manner and to the same extent that Verance would be required to perform them if no such purchase, succession or assignment had taken place. Upon any such purchase, succession or assignment, the references in this Agreement to Verance shall also apply to any Successor unless the context otherwise requires. No such purchase, succession, or assignment shall relieve Verance of its obligations hereunder.

(f) Notices. All notices, requests, consents and demands shall be made in writing and shall be mailed postage prepaid, or delivered by hand, to Verance, Agent or at the addresses set forth below or to such other address as may be furnished in writing to the other party hereto:

If to Agent:

Clifford H. Friedman
c/o Constellation Ventures Management II LLC
383 Madison Avenue
New York, New York 10179
Telecopy: (212) 272-9256

with a copy to:

Kramer Levin Naftalis & Frankel LLP
919 Third Avenue
New York, New York 10022
Attention: Howard J. Rothman, Esq.
Telecopy: (212) 715-8000

If to Verance:

Verance Corporation
10145 Pacific Heights Blvd.
Suite 200
San Diego, California 92121
Attention: Bob Cerasoli, CEO
Telecopy: (858) 202-2801

with a copy to:

Latham & Watkins
12636 High Bluff Drive,
Suite 300
San Diego, California 92130
Attention: Craig Garner, Esq.
Telecopy: (858) 523-5450

(g) Jurisdiction, etc. Verance irrevocably consents to the exclusive jurisdiction of the courts of the State of New York and of any federal court located in such State in connection with any action or proceeding arising out of or relating to this Agreement, any document or instrument delivered pursuant to, in connection with or simultaneously with this Agreement, or a breach of this Agreement or any such document or instrument.

(h) Section and Other Headings. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

(i) Saturdays, Sundays, Holidays. If any date that may at any time be specified in this Agreement as a date for the making of any payment of principal or interest under this Agreement shall fall on Saturday, Sunday or on a day which in New York shall be a legal holiday, then the date for the making of that payment shall be the next subsequent day which is not a Saturday, Sunday or legal holiday.

(j) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

IN WITNESS WHEREOF, Verance has caused this Security Agreement to be
and delivered by an officer duly authorized as of the date first above written.

VERANCE CORPORATION

By: 

Name: Bob Cerasoli

Title: Chief Executive Officer

ACKNOWLEDGED AND AGREED BY AGENT:

CONSTELLATION VENTURE CAPITAL II, L.P.

By: CONSTELLATION VENTURES
MANAGEMENT II, LLC, its General Partner

By: _____

Name: Ronald Celmer

Title:

IN WITNESS WHEREOF, Verance has caused this Security Agreement to be duly executed and delivered by an officer duly authorized as of the date first above written.

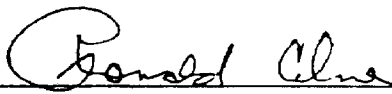
VERANCE CORPORATION

By: _____
Name: Bob Cerasoli
Title: Chief Executive Officer

ACKNOWLEDGED AND AGREED BY AGENT:

CONSTELLATION VENTURE CAPITAL II, L.P.

By: CONSTELLATION VENTURES
MANAGEMENT II, LLC, its General Partner

By:  _____
Name: Ronald Celmer
Title: m. d.,

INTELLECTUAL PROPERTY COLLATERAL

"Computer Hardware and Software Collateral" means:

- (a) all computer and other electronic data processing hardware, integrated computer systems, central processing units, memory units, display terminals, printers, features, computer elements, card readers, tape drives, hard and soft disk drives, cables, electrical supply hardware, generators, power equalizers, accessories and all peripheral devices and other related computer hardware, whether now owned, licensed or leased or hereafter acquired by Verance;
- (b) all software programs (including both source code, object code and all related applications and data files), whether now owned, licensed or leased or hereafter acquired by Verance, designed for use on the computers and electronic data processing hardware described in clause (a) above;
- (c) all firmware associated therewith;
- (d) all documentation (including flow charts, logic diagrams, manuals, guides and specifications) with respect to such hardware, software and firmware described in the preceding clauses (a) through (c); and
- (e) all rights with respect to all of the foregoing, including, without limitation, any and all copyrights, licenses, options, warranties, service contracts, program services, test rights, maintenance rights, support rights, improvement rights, renewal rights and indemnifications and any substitutions, replacements, additions or model conversions of any of the foregoing;

provided, however, that Computer Hardware and Software Collateral shall not include any of the items described in clauses (a) through (e), above, leased by or licensed to Verance pursuant to an agreement that prohibits the granting by Verance of a security interest therein.

"Copyright Collateral" means all copyrights of Verance, whether statutory or common law, registered or unregistered, now or hereafter in force throughout the world including, without limitation, Verance's rights, title and interest in and to all copyrights registered in the United States Copyright Office or anywhere else in the world and also including, without limitation, the copyrights referred to in Schedule IV attached hereto, and all applications for registration thereof, whether pending or in preparation, all copyright licenses (excluding copyright licenses licensed to Verance pursuant to agreements that prohibit the granting by Verance of a security interest therein), the right to sue for past, present and future infringements of any thereof, all rights corresponding thereto throughout the world, all

extensions and renewals of any thereof and all proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages and proceeds of suit.

“Patent Collateral” means:

(a) all of Verance’s letters patent and applications for letters patent throughout the world, now existing or hereafter adopted or acquired, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Schedule V attached hereto;

(b) all of Verance’s patent licenses, including each patent license referred to in Schedule V attached hereto, excluding patent licenses licensed to Verance pursuant to agreements that prohibit the granting by Verance of a security interest therein;

(c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in clauses (a) and (b); and

(d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Schedule V attached hereto, and for breach or enforcement of any patent license, including any patent license referred to in Schedule V attached hereto, and all rights corresponding thereto throughout the world.

“Trademark Collateral” means:

(a) all of Verance’s trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, certification marks, collective marks, logos, other source of business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of a like nature (all of the foregoing items in this clause (a) being collectively called a “Trademark”), now existing anywhere in the world or hereafter adopted or acquired, whether currently in use or not, all registrations and recordings thereof and all applications in connection therewith, whether pending or in preparation for filing, including registrations, recordings and applications in the United States Patent and Trademark Office or in any office or agency of the United States of America or any State thereof or any foreign country, including those referred to in Schedule VI attached hereto;

(b) all of Verance’s Trademark licenses, including each Trademark license referred to in Schedule VI attached hereto, excluding trademark licenses licensed to Verance pursuant to agreements that prohibit the granting by Verance of a security interest therein;

(c) all reissues, extensions or renewals of any of the items described in clauses (a) and (b);

(d) all of the goodwill of the business connected with the use of, and symbolized by the items described in, clauses (a) and (b); and

(e) all proceeds of, and rights associated with, the foregoing, including any claim by Verance against third parties for past, present or future infringement or dilution of any Trademark, Trademark registration or Trademark license, including any Trademark, Trademark registration or Trademark license referred to in Schedule VI attached hereto, or for any injury to the goodwill associated with the use of any such Trademark or for breach or enforcement of any Trademark license.

“Trade Secrets Collateral” means common law and statutory trade secrets and all other confidential or proprietary or useful information and all know-how obtained by or used in or contemplated at any time for use in the business of Verance (all of the foregoing being collectively called a “Trade Secret”), whether or not such Trade Secret has been reduced to a writing or other tangible form, including all documents and things embodying, incorporating or referring in any way to such Trade Secret, all Trade Secret licenses (excluding trade secret licenses licensed to Verance pursuant to agreements that prohibit the granting by Verance of a security interest therein), including each Trade Secret license referred to in Schedule VII attached hereto, and including the right to sue for and to enjoin and to collect damages for the actual or threatened misappropriation of any Trade Secret and for the breach or enforcement of any such Trade Secret license.

PATENT COLLATERAL

Item A. Patents

United States Patents

Title	App. No.	Filed	Patent No.	Issued
Telephone Call Annunciator	08/458,646	02-Jun-95		Abandoned
Electronic Voice Messaging Note Pad	29/040,063	09-Jun-95	Des. 375,098	29-Oct-96
Electronic Voice Annunciator	29/040,064	09-Jun-95	Des. 376,148	03-Dec-96
Method and Apparatus for Transporting Auxiliary Data in Audio Signals	08/524,132	06-Sep-95	5,822,360	13-Oct-98
Multi-Media Copy Management System	60/008,287	06-Dec-95		App. Filed
Post Compression Hidden Data Transport	60/008,288	06-Dec-95		App. Filed
Hidden Data Transport Electronic Coupon System	60/008,369	08-Dec-95		App. Filed
Post-Compression Hidden Data Transport	08/607,330	26-Feb-96	5,687,191	11-Nov-97
Method and Apparatus for Transporting Auxiliary Data in Audio Signals	PCT/US96/13516	20-Aug-96		Int'l Prel. Exam Rept.
Multi-Media Copy Management System	08/712,900	12-Sep-96	5,719,937	17-Feb-98
Multi-Media Copy Management System	PCT/US96/19234	04-Dec-96		Int'l Prel. Exam Rept.
Post-Compression Hidden Data Transport	PCT/US96/19283	05-Dec-96		Int'l Prel. Exam Rept.
Hidden Data Transport Electronic Coupon System	PCT/US96/19370	06-Dec-96		Int'l Prel. Exam Rept.
Method and Apparatus for Embedding Auxiliary Data in a Primary Data Signal	08/764,096	06-Dec-96	5,937,000	10-Aug-99
Cross -Term Compensation Power Adjustment of Embedded Auxiliary Data in a Primary Data Signal	08/805,732	25-Feb-97	5,940,429	17-Aug-99
Post-Compression Hidden Data Transport for Video	08/912,434	18-Aug-97	5,901,178	04-May-99
Apparatus and Method for Embedded and Extracting Information in Analog Signals Using Distributed Signal Features	08/974,920	20-Nov-97	6,175,627	16-Jan-01
Multi-Media Copy Management System	08/977,719	25-Nov-97	5,963,909	05-Oct-99
Method and Apparatus for Embedding Data in a Primary Data Signal	PCT/US97/21952	02-Dec-97		Int'l Prel. Exam Rept.
Method and Apparatus for Preventing Removal of Embedded Information in Cover Signals	09/017,145		6,145,081	7-Nov-00
Cross-Term Compensation Power Adjustment of Embedded Auxiliary Data in a Primary Data Signal	PCT/US98/03578	24-Feb-98		Abandoned

Title	App. No.	Filed	Patent No.	Issued
Multimedia Adaptive Scrambling System	60/082,488	21-Apr-98		Filing Receipt
Active Copy Management System (ACMS)	60/082,489	21-Apr-98		Abandoned
Pattern Offset Modulation Embedded Signaling System	60/082,577	21-Apr-98		Abandoned
Digital Hidden Data Transport	60/085,186	12-May-98		App. Filed
Apparatus and Method for Encoding and Decoding Information in Audio Signals	09/083,940	26-May-98	6,005,501	21-Dec-99
Pre-processed Information Embedding System	60/087,017	28-May-98		App. Filed
Billboard Consumption Measurement System (BCMS)	60/087,020	28-May-98		Abandoned
Hidden Data Transport Electronic Coupon System	09/077,679	03-Jun-98		Abandoned
Apparatus and Method for Embedded and Extracting Information in Analog Signals Using Replica Modulation	09/106,213	29-Jun-98		Allowed
Apparatus and Method for Encoding and Decoding Information in Audio Signals	08/404,278		5,774,452	30-Jun-98
Post-Compression Hidden Data Transport for Video	PCT/US98/15111	22-Jul-98		Int'l Prel. Exam Rept.
Method and Apparatus for Embedding Auxiliary Data in a Primary Data Signal Using Frequency and Time Domain Processing	09/169,381	09-Oct-98	6,154,484	28-Nov-00
Apparatus and Method for Encoding and Decoding Information in Analog Signals	08/627,107		5,828,325	27-Oct-98
Multimedia Adaptive Scrambling System (MASS)	PCT/US99/08635	20-Apr-99		Int'l Prel. Exam Rept.
Digital Hidden Data Transport (DHDT)	PCT/US99/08675	20-Apr-99		Int'l Prel. Exam Rept.
Broadcast Voice Recognition Monitoring System	09/294,865	20-Apr-99	6,332,120	18-Dec-01
Billboard Consumption Measurement System	09/318,368	25-May-99	6,252,522	26-Jun-01
Pre-Processed Information Embedding System	PCT/US99/11526	25-May-99		Int'l Prel. Exam Rept.
Apparatus and Method for Encoding and Decoding Information in Analog Signals	08/858,562		5,940,135	17-Aug-99
Method and Apparatus for Embedding Auxiliary Data in a Primary Data Signal Using Frequency and Time Domain Processing	PCT/US99/23564	08-Oct-99		Int'l Prel. Exam Rept.
Oversampled Filter Bank for Subband Processing	PCT/US99/28343	30-Nov-99		Demand Receipt
Remote Control Signaling Using Audio Watermarks	09/505,080	16-Feb-00		App. Filed
Broadcast Speech Recognition System for Keyword Monitoring (as amended ISR)	PCT/US00/07632	22-Mar-00		Demand Filed
Method and Apparatus for Detecting Processing Stages Applied to a Signal	09/535,154	24-Mar-00		In Process
Billboard Consumption Measurement System	PCT/US00/14445	25-May-00		Abandoned

Title	App. No.	Filed	Patent No.	Issued
Method and Apparatus for Transaction Code Embedding	09/651,729	30-Aug-00		Allowed
Multimedia Adaptive Scrambling System (MASS)	09/692,084	19-Oct-00		App. Filed
Digital Hidden Data Transport	09/708,810	08-Nov-00		App. Filed
Pre-Processed Information Embedding System	09/721,015	22-Nov-00		Response Filed
Remote Control Signaling Using Audio Watermarks	PCT/US01/40013	01-Feb-01		Published
Method and Apparatus for Detecting Processing Stages Applied to a Signal	PCT/US01/09305	22-Mar-01		In Process
Method and Apparatus for Transaction Code Embedding	PCT/US01/26505	27-Aug-01		Demand Filed
Digital Watermarks Based on Host-Matching Codes	60/282,241	06-Apr-01		App. Filed
Watermark Position Modulation	60/290,205	11-May-01		App. Filed
Methods and Apparatus for Embedding and Recovering Watermarking Information Based on Host-Matching Codes	10/066,039	31-Jan-02		App. Filed

AGREEMENT
(Patent)

THIS AGREEMENT (PATENT) (this "Agreement"), dated as of April 1, 2002, by VERANCE CORPORATION, a Delaware corporation ("Verance"), in favor of CONSTELLATION VENTURE CAPITAL II, L.P., as agent (in such capacity and collectively with any successor agent, the "Agent"), for the benefit of the "Secured Parties" (as hereinafter defined).

W I T N E S S E T H :

WHEREAS, pursuant to the terms of the Convertible Senior Secured Note and Warrant Purchase Agreement dated as of the date hereof (the "Purchase Agreement") and the Senior Secured Convertible Promissory Notes issued pursuant thereto (as amended, modified or supplemented, the "Verance Notes"), in favor of each of the Secured Parties, the Secured Parties have made the Loans available to Verance as evidenced by the Verance Notes in favor of each such Secured Party;

WHEREAS, in connection with the Verance Notes, Verance has executed and delivered a Security Agreement, dated as of the date hereof (together with all amendments and other modifications, if any, from time to time thereafter made thereto, the "Security Agreement");

WHEREAS, Verance is required to execute and deliver this Agreement and to grant to the Agent a continuing security interest in all of the Patent Collateral (as defined below) to secure all Secured Obligations;

WHEREAS, Verance has duly authorized the execution, delivery and performance of this Agreement; and

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, and in order to induce the Secured Parties to make the Loans pursuant to the Purchase Agreement, Verance agrees, as follows:

SECTION 1. Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Security Agreement or the Purchase Agreement.

SECTION 2. Grant of Security Interest. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, to secure all of the Secured Obligations, Verance hereby mortgages, pledges and hypothecates to the Agent, and grants to the Agent a security interest in, all of the following property (the "Patent Collateral"), whether now owned or hereafter acquired or existing:

(a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Attachment 1 hereto;

(b) all patent licenses, including each patent license referred to in Item B of Attachment 1 hereto;

(c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in the foregoing clauses (a) and (b); and

(d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Attachment 1 hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Attachment 1 hereto, and all rights corresponding thereto throughout the world.

SECTION 3. Security Agreement. This Agreement has been executed and delivered by Verance for the purpose of registering the security interest of the Agent in the Patent Collateral with the United States Patent and Trademark Office. The security interest granted hereby has been granted as a supplement to, and not in limitation of, the security interest granted to the Agent under the Security Agreement. The Security Agreement (and all rights and remedies of the Agent thereunder) shall remain in full force and effect in accordance with its terms.

SECTION 4. Release of Security Interest. Upon payment in full of all Secured Obligations, the Agent shall at Verance's expense, execute and deliver to Verance all instruments and other documents as may be necessary or proper to release the lien on and security interest in the Patent Collateral which has been granted hereunder.

SECTION 5. Acknowledgment. Verance does hereby further acknowledge and affirm that the rights and remedies of the Agent with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein.

SECTION 6. Transaction Document, etc. This Agreement is a Transaction Document executed pursuant to the Purchase Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Purchase Agreement.

SECTION 7. Counterparts. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

IN WITNESS WHEREOF, Verance has caused this Agreement to be duly delivered by an officer duly authorized as of the day and year first above written.

VERANCE CORPORATION

By: 

Name: Bob Cerasoli

Title: Chief Executive Officer

ACKNOWLEDGED AND AGREED BY AGENT:

CONSTELLATION VENTURE CAPITAL II, L.P.

By: CONSTELLATION VENTURES
MANAGEMENT II, LLC, its General Partner

By: _____

Name: Ronald Celmer

Title:

IN WITNESS WHEREOF, Verance has caused this Agreement to be duly
executed and delivered by an officer duly authorized as of the day and year first above written.


VERANCE CORPORATION

By: _____
Name: Bob Cerasoli
Title: Chief Executive Officer

ACKNOWLEDGED AND AGREED BY AGENT:

CONSTELLATION VENTURE CAPITAL II, L.P.

By: CONSTELLATION VENTURES
MANAGEMENT II, LLC, its General Partner

By:  _____
Name: Ronald Celmer
Title: MD

Item A. Patents

United States Patents

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Electronic Voice Annunciator	29/040,064	09-Jun-95	Des. 376,148	03-Dec-96
Method and Apparatus for Transporting Auxiliary Data in Audio Signals	08/524,132	06-Sep-95	5,822,360	13-Oct-98
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Post Compression Hidden Data Transport	60/008,288	06-Dec-95		App. Filed
Hidden Data Transport Electronic Coupon System	60/008,369	08-Dec-95		App. Filed
Post-Compression Hidden Data Transport	08/607,330	26-Feb-96	5,687,191	11-Nov-97
Method and Apparatus for Transporting Auxiliary Data in Audio Signals	PCT/US96/13516	20-Aug-96		Int'l Prel. Exam Rept.
Multi-Media Copy Management System	08/712,900	12-Sep-96	5,719,937	17-Feb-98
Multi-Media Copy Management System	PCT/US96/19234	04-Dec-96		Int'l Prel. Exam Rept.
Post-Compression Hidden Data Transport	PCT/US96/19283	05-Dec-96		Int'l Prel. Exam Rept.
Hidden Data Transport Electronic Coupon System	PCT/US96/19370	06-Dec-96		Int'l Prel. Exam Rept.
Method and Apparatus for Embedding Auxiliary Data in a Primary Data Signal	08/764,096	06-Dec-96	5,937,000	10-Aug-99
Cross -Term Compensation Power Adjustment of Embedded Auxiliary Data in a Primary Data Signal	08/805,732	25-Feb-97	5,940,429	17-Aug-99
Post-Compression Hidden Data Transport for Video	08/912,434	18-Aug-97	5,901,178	04-May-99
Apparatus and Method for Embedded and Extracting Information in Analog Signals Using Distributed Signal Features	08/974,920	20-Nov-97	6,175,627	16-Jan-01
Multi-Media Copy Management System	08/977,719	25-Nov-97	5,963,909	05-Oct-99
Method and Apparatus for Embedding Data in a Primary Data Signal	PCT/US97/21952	02-Dec-97		Int'l Prel. Exam Rept.
Method and Apparatus for Preventing Removal of Embedded Information in Cover Signals	09/017,145		6,145,081	7-Nov-00
Cross-Term Compensation Power Adjustment of Embedded Auxiliary Data in a Primary Data Signal	PCT/US98/03578	24-Feb-98		Abandoned

Title	App. No.	Filed	Patent No.	Issued
Multimedia Adaptive Scrambling System	60/082,488	21-Apr-98		Filing Receipt
Active Copy Management System (ACMS)	60/082,489	21-Apr-98		Abandoned
Pattern Offset Modulation Embedded Signaling System	60/082,577	21-Apr-98		Abandoned
Digital Hidden Data Transport	60/085,186	12-May-98		App. Filed
Apparatus and Method for Encoding and Decoding Information in Audio Signals	09/083,940	26-May-98	6,005,501	21-Dec-99
Pre-processed Information Embedding System	60/087,017	28-May-98		App. Filed
Billboard Consumption Measurement System (BCMS)	60/087,020	28-May-98		Abandoned
Hidden Data Transport Electronic Coupon System	09/077,679	03-Jun-98		Abandoned
Apparatus and Method for Embedded and Extracting Information in Analog Signals Using Replica Modulation	09/106,213	29-Jun-98		Allowed
Apparatus and Method for Encoding and Decoding Information in Audio Signals	08/404,279		5,774,452	30-Jun-98
Post-Compression Hidden Data Transport for Video	PCT/US98/15111	22-Jul-98		Int'l Prel. Exam Rept.
Method and Apparatus for Embedding Auxiliary Data in a Primary Data Signal Using Frequency and Time Domain Processing	09/169,381	09-Oct-98	6,154,484	28-Nov-00
Apparatus and Method for Encoding and Decoding Information in Analog Signals	08/627,107		5,828,325	27-Oct-98
Multimedia Adaptive Scrambling System (MASS)	PCT/US99/08635	20-Apr-99		Int'l Prel. Exam Rept.
Digital Hidden Data Transport (DHDT)	PCT/US99/08675	20-Apr-99		Int'l Prel. Exam Rept.
Broadcast Voice Recognition Monitoring System	09/294,865	20-Apr-99	6,332,120	18-Dec-01
Billboard Consumption Measurement System	09/318,368	25-May-99	6,252,522	26-Jun-01
Pre-Processed Information Embedding System	PCT/US99/11526	25-May-99		Int'l Prel. Exam Rept.
Apparatus and Method for Encoding and Decoding Information in Analog Signals	08/858,562		5,940,135	17-Aug-99
Method and Apparatus for Embedding Auxiliary Data in a Primary Data Signal Using Frequency and Time Domain Processing	PCT/US99/23564	08-Oct-99		Int'l Prel. Exam Rept.
Oversampled Filter Bank for Subband Processing	PCT/US99/28343	30-Nov-99		Demand Receipt
Remote Control Signaling Using Audio Watermarks	09/505,080	16-Feb-00		App. Filed
Broadcast Speech Recognition System for Keyword Monitoring (as amended ISR)	PCT/US00/07632	22-Mar-00		Demand Filed
Method and Apparatus for Detecting Processing Stages Applied to a Signal	09/535,154	24-Mar-00		In Process
Billboard Consumption Measurement System	PCT/US00/14445	25-May-00		Abandoned

Title	App. No.	Filed	Patent No.	Issued
Method and Apparatus for Transaction Code Embedding	09/651,729	30-Aug-00		Allowed
Multimedia Adaptive Scrambling System (MASS)	09/692,084	19-Oct-00		App. Filed
Digital Hidden Data Transport	09/708,810	08-Nov-00		App. Filed
Pre-Processed Information Embedding System	09/721,015	22-Nov-00		Response Filed
Remote Control Signaling Using Audio Watermarks	PCT/US01/40013	01-Feb-01		Published
Method and Apparatus for Detecting Processing Stages Applied to a Signal	PCT/US01/09305	22-Mar-01		In Process
Method and Apparatus for Transaction Code Embedding	PCT/US01/26505	27-Aug-01		Demand Filed
Digital Watermarks Based on Host-Matching Codes	60/282,241	06-Apr-01		App. Filed
Watermark Position Modulation	60/290,205	11-May-01		App. Filed
Methods and Apparatus for Embedding and Recovering Watermarking Information Based on Host-Matching Codes	10/066,039	31-Jan-02		App. Filed