

05-06-2002

Form PTO-1595  
(Rev. 03/01)

REC



U.S. DEPARTMENT OF COMMERCE  
U.S. Patent and Trademark Office

OMB No. 0651-0027 (exp. 5/31/2002)

102078026

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

1. Name of conveying party(ies):  
PROMINENCE NETWORKS, INC.

*H. 22.02*

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

2. Name and address of receiving party(ies)

Name: Semir D. Sirazi Revocable Trust

Internal Address: \_\_\_\_\_

Street Address: 500 Elmwood Avenue

City: Wilmette State: IL Zip: 60091

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

3. Nature of conveyance:

- Assignment  Merger
- Security Agreement  Change of Name
- Other \_\_\_\_\_

Execution Date: 4/16/2002

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

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

A. Patent Application No.(s) 09/634,035

09/689,222 and 60/308,421

B. Patent No.(s) \_\_\_\_\_

Additional numbers attached?  Yes  No

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

Name: Michael Lee

Internal Address: Sachnoff & Weaver, Ltd.

Street Address: 30 South Wacker Dr.

29th Floor

City: Chicago State: IL Zip: 60606

6. Total number of applications and patents involved:

7. Total fee (37 CFR 3.41).....\$ 120

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number: \_\_\_\_\_

DO NOT USE THIS SPACE

9. Signature.

05/03/2002 DBYRNE

00000275 09634035  
Michael Lee

01 FC:501

Name of Person Signing 120.00.00

*[Signature]*  
Signature

April 16, 2002  
Date

Total number of pages including cover sheet, attachments, and documents:

Mail documents to be recorded with required cover sheet information to:  
Commissioner of Patents & Trademarks, Box Assignments  
Washington, D.C. 20231

**Names of Receiving Parties**

Semir D. Sirazi Revocable Trust  
Dated July 14, 1999  
500 Elmwood Avenue  
Wilmette, IL 60091

Peter Pond  
c/o Alta Equity Partners  
1 East Pedway Drive  
Chicago, IL 60601-5074

Burton E. McGillivray  
c/o Banc One Venture Partners  
55 West Monroe Street, 16<sup>th</sup> Floor  
Chicago, IL 60670

## SECURITY AGREEMENT

**THIS AGREEMENT**, made as of the 16th day of April, 2002 (the "Agreement"), by and between PROMINENCE NETWORKS, INC., a Delaware corporation (the "Debtor"), and each of the parties listed in Annex I hereto, such Annex I to be updated to include the names of parties purchasing Notes at Additional Closing(s) (as such term is defined in the Purchase Agreement) (each, a "Secured Party" and collectively, the "Secured Parties").

**WHEREAS**, the Debtor has applied for patents with the U.S. Patent and Trademark Office with respect to the processes described on Schedule I attached hereto, and Debtor has agreed to grant the Secured Parties a security interest in certain of the Debtor's personal and intellectual property and assets, including without limitation, the Patents listed on Schedule I, all to secure the payment and performance of the obligations in connection with the Secured Convertible Promissory Notes (the "Notes") in the aggregate principal amount of up to Two Million Dollars (\$2,000,000) issuable in accordance with a certain Note Purchase Agreement, dated as of April 16, 2002 (the "Purchase Agreement");

**NOW, THEREFORE**, based on the premises and agreements set forth herein, intending to be legally bound, and to secure the payment of an indebtedness equal to the aggregate principal amount of the Notes, plus accrued interest, as detailed in the Notes, the parties hereto agree as follows:

1. Definitions.

**"Account Receivable"** shall mean (a) all present or future right of the Debtor to receive and collect payment for goods now or hereafter sold or leased, or for services now or hereafter rendered, (b) all present and future chattel paper and instruments acquired by the Debtor drawn, made, issued or otherwise created in connection with any transaction giving rise to an Account Receivable and any proceeds thereof, (c) all present and future rights of the Debtor to proceeds of any insurance, indemnity, warranty or guaranty with respect to any goods sold or leased or services rendered in a transaction giving rise to an Account Receivable, (d) all present and future rights of the Debtor to claim for damages arising out of a breach of or default under any contract, to terminate any contract giving rise to any Account Receivable, to perform thereunder and to compel performance and otherwise exercise all remedies thereunder, and (e) all goods in the Debtor's possession or held for the Debtor's account the sale or lease of which shall have given rise to an Account Receivable and the proceeds of any resale or subsequent lease thereof.

**"Collateral"** shall mean all right, title and interest of the Debtor in and to (a) all Accounts Receivable, (b) all Instruments, (c) all Inventory, (d) all General Intangibles, including all Patents, (e) all Equipment (f) any and all Proceeds, (g) all contract rights, (h) all computer software, and (i) all right, title and interest in and to any and all other assets and property of the Debtor or any third party to secure the Obligations, but shall not include any Equipment or other Collateral obtained or acquired or to be obtained or acquired by the Debtor on a lease financing basis.

**"Equipment"** shall mean all equipment, machinery, fixtures and other goods (other than Inventory) now or hereafter owned by the Debtor or a third party, or in which the Debtor or a third party now or hereafter has an interest, all replacements and substitutions therefor, all

additions and accessories thereto and all after-acquired equipment, machinery and goods (other than Inventory) which is pledged to the Secured Parties by the Debtor or any third party to secure the Obligations.

**“General Intangibles”** shall mean any Patents, trademarks, copyrights, source code, documentation, licenses, domain names, or any other personal property owned, controlled or in the possession of the Debtor or a third party (including things in action) other than goods, accounts, chattel paper, deposits, documents, instruments, money and securities of the Debtor.

**“Instruments”** shall mean any writing which evidences a right to the payment of money and is not itself a security agreement or lease and is of a type in the ordinary course of business transferred by delivery with all necessary endorsement or assignment which is from time to time pledged to the Secured Parties by the Debtor or any third party to secure the Obligations and shall include, without limitation, all chattel paper which is from time to time pledged to the Secured Parties by the Debtor or any third party to secure the Obligations.

**“Inventory”** shall mean all goods from time to time pledged to the Secured Parties by the Debtor or any third party as security for the Obligations now or hereafter (a) held by the Debtor or such third party for sale or lease, (b) furnished or to be furnished by the Debtor or such third party to another third party under any contract of service, (c) held by the Debtor or such third party as raw materials or work in process or (d) used or consumed by the Debtor or such third party in the ordinary course of business.

**“Obligations”** shall mean the payment obligations of the Debtor under the Notes, including without limitation, the obligation to pay all costs and expenses incurred by the Secured Parties in connection with the exercise of any rights or remedies hereunder or the conduct of any enforcement proceedings with respect hereto or under the Notes.

**“Patents”** shall mean all patents and patent applications, whether United States or foreign, that are owned by the Debtor or in which the Debtor has any right, title or interest, now or in the future, including, but not limited to:

(a) all patents and patent applications listed on Schedule I hereto (as the same may be amended pursuant hereto from time to time);

(b) all letters patent of the United States or any other country, and all applications for letters patent of the United States or any other country;

(c) all re-issues, continuations, divisions, continuations-in-part, renewals or extensions thereof; and

(d) the inventions disclosed or claimed therein, including the right to make, use, practice and/or sell (or license or otherwise transfer or dispose of) the inventions disclosed or claimed therein

**“Proceeds”** shall mean any and all proceeds, payments, products, dividends, distributions, interest, rights, investment income, and reinvestments of, relating to or payable in respect of the Collateral, including without limitation any and all securities resulting from

conveyance of assets, liquidations or similar reorganizations and all other distributions of any kind or nature in respect of the Collateral.

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

2. Grant of Security Interest. The Debtor hereby grants and conveys to the Secured Parties for the ratable benefit of the Secured Parties a continuing perfected first priority security interest in and a lien upon all of the Debtor’s right, title and interest in, to and under the Collateral, including all of Debtor’s Patents, whether presently existing or hereafter created or acquired, and all products and proceeds for the foregoing to secure the payment and performance of Debtor’s obligations under the Note. Nothing in this Agreement shall be deemed to constitute an assumption or acceptance by the Secured Parties of any of the obligations or the Debtor under any of the Collateral or any contract or agreement for purchase, sale, lease or disposition of the Collateral and Debtor hereby specifically confirms and acknowledges that it remain liable for any obligations it may have under or in respect of any of the Collateral and agree to indemnify the Debtor and hold the Debtor harmless against any such liability or obligation.

3. Continuing Security Interest. This Agreement creates a continuing perfected security interest in and lien upon the Collateral and shall (a) remain in full force and effect until all Obligations have been paid in full or otherwise discharged; (b) be binding upon the Debtor and its successors, permitted transferees and permitted assigns; and (c) inure, together with the rights and remedies of the Secured Parties hereunder, to the benefit of the Secured Parties and each such party’s successors, transferees and assigns. Upon the payment in full of all Obligations, the security interest and lien granted hereunder shall terminate and all rights to the Collateral shall revert to the Debtor. Upon such termination, the Secured Parties will at the sole expense of the Debtor execute and deliver to the Debtor such documents as the Debtor shall reasonably request to evidence such termination.

4. Representations, Warranties and Covenants. The Debtor represents, warrants, covenants and agrees as follows:

(a) Debtor is the sole legal and beneficial owner of each item of the Collateral, having good and marketable title thereto, free and clear of any and all liens, charges, encumbrances, taxes and assessments.

(b) The execution, delivery and performance of this Agreement and the endorsement and delivery of the Collateral does not and will not contravene or violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect and applicable to the Debtor, or result in a breach of or constitute a default (with or without the giving of notice or the lapse of time, or both) under any indenture or any other agreement to which the Debtor is a party, or by which the Debtor or any of the Debtor's property may be bound or affected.

(c) To the best of Debtor's knowledge, each of the Patents for which an application is made is valid and enforceable, and to the best of Debtor's knowledge, there is no infringement by others of the said Patents or rights therein.

(d) Debtor shall pay and perform all of the obligations secured by this Agreement according to their terms.

(e) Debtor shall defend the title to the Collateral against all persons and against all claims and demands whatsoever, which Collateral is free and clear of any and all liens, security interests, claims, charges, encumbrances, taxes and assessments, except for the security interest granted hereby.

(f) On demand of the Secured Parties holding at least 66 2/3% of the principal amount of the Notes then outstanding, Debtor shall do the following: (i) furnish any further assurances of title reasonably requested by the Secured Parties, (ii) execute any written agreement or do any other acts necessary to effectuate the purposes and provisions of the Agreement, (iii) execute any instrument or statement required by law in order to perfect or continue the security interest of the Secured Parties in the Collateral and (iv) pay all costs of filing in connection therewith.

(g) Debtor shall keep the Collateral free and clear of all liens, charges, encumbrances, taxes and assessments.

(h) Debtor shall pay, when due, all taxes, assessments and license fees relating to the Collateral.

(i) The Debtor has the full corporate right and authority to enter into this Agreement and to pledge the Collateral in accordance with the terms hereof.

(j) Schedule I attached hereto sets forth a true and complete list of all the patents, rights to patents, and patent applications now owned, licensed or controlled by the Debtor, and the Patents have not been adjudged invalid or unenforceable, in whole or in part, and there is no litigation or proceeding pending concerning the validity or enforceability of the Patents.

(k) Except for the filing of financing statements with Secretary of State for the State of New Jersey and Secretary of State for the State of Delaware under the UCC and the filing of this Agreement with the U.S. Patent and Trademark Office, no authorization, approval or other action by, and no notice to or filing with, any governmental or regulatory authority, agency or office is required either (1) for the grant by the Debtor or the effectiveness of the security interest and lien granted hereby or for the execution, delivery and performance of this Agreement by the Debtor, or (2) for the perfection of or the exercise by the Secured Party of any of its rights and remedies hereunder.

5. Waiver. Waiver of, or acquiescence in, any default by the Debtor, or failure of the Secured Parties to insist upon strict performance by the Debtor of any warranties or agreements in this Agreement, shall not constitute a waiver of any subsequent or other default or failure.

6. Patent Prosecution.

(a) The Debtor shall have the duty, through patent counsel reasonably acceptable to the Secured Parties, to prosecute diligently consistent with its prior practices any patent

applications of the Patents pending as of the date of this Agreement or thereafter, to make application for unpatented but reasonably patentable inventions and to preserve and maintain all rights in the Patents, including without limitation the payment when due of all maintenance fees and other fees, taxes and other expenses which shall be incurred or which shall accrue with respect to any of the Patents. Any expenses incurred in connection with such applications and actions shall be borne by the Debtor. Debtor shall not abandon any filed patent application, nor any pending patent application or patent, without the consent of the Secured Parties holding at least 66 2/3% of the principal amount of the Notes then outstanding, which consent shall not be unreasonably withheld.

(b) The Debtor shall have the right to bring suit or other action in the Debtor's own name to enforce the Patents and the rights therein. The Secured Parties may be requested to join in such suit or action as may be necessary to assure the Debtor's ability to bring and maintain any such suit or action in any proper forum, so long as the Secured Parties is completely satisfied that such joinder will not subject Secured Parties to any risk of liability. The Debtor shall promptly, upon demand, reimburse and indemnify the Secured Parties for all damages, costs and expenses, including legal fees, incurred by Secured Parties pursuant to this Section 6(b).

(c) In general, the Debtor shall take any and all such actions (including but not limited, to institution and maintenance of suits, proceedings or actions) as may be necessary or appropriate to properly maintain, protect, preserve, care for and enforce each of the Patents unless the Debtor shall determine that a Patent is in no way material to the conduct of its business or operations. Debtor shall not take or fail to take any action, nor permit any action to be taken or not taken by others under its control, which would affect the validity, grant or enforcement of any of the Patents.

(d) Promptly upon obtaining knowledge thereof, the Debtor will notify the Secured Parties in writing of the institution of, or any final adverse determination in, any proceeding in the U.S. Patent and Trademark Office or any similar office or agency of the United States or any foreign country, or any court, regarding the validity of any of the Patents or the Debtor's rights, title or interests in and to any of the Patents, and of any event which does or reasonably could materially adversely affect the value of any of the Patents or the Collateral, the ability of the Debtor or the Secured Parties to dispose of any of the Patents or the rights and remedies of the Secured Parties in relation thereto (including but not limited to the levy of any legal process against any of the Patents).

7. Debtor Remains Liable. Anything herein to the contrary notwithstanding (a) the Debtor shall remain liable under any agreements which have been (in whole or in part) pledged or assigned herein 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 the Secured Parties of any of the rights hereunder shall not release the Debtor from any of its respective duties or obligations under any such agreements, and (c) the Secured Parties shall not have any obligation or liability under any such agreements by reason of this Agreement, nor shall the Secured Parties be obligated to perform any of the obligations or duties of the Debtor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

8. Governing Statute. The UCC shall govern the rights, duties and remedies of the parties and any provisions herein declared invalid under any law shall not invalidate any other provision or this Agreement.

9. Default. The following shall constitute a default by the Debtor:

(a) failure to pay the principal or interest on the Note when due as per the terms of such Note (inclusive of curing provisions in the Note);

(b) failure by the Debtor to comply with or perform any provision of this Agreement, which failure is not cured within fifteen (15) days of notice thereof;

(c) materially false or misleading representations or warranties made or given by the Debtor in connection with this Agreement, which materially impairs the Collateral or the ability to collect upon the Collateral;

(d) subjection of the Collateral to levy of execution;

(e) commencement by the Debtor (or the taking of any action for the purpose of commencing) of any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, moratorium or similar law or statute;

(f) a proceeding commenced against the Debtor under any bankruptcy, reorganization, arrangement, readjustment of debt, moratorium or similar law or statute and relief is ordered against it, or the proceeding is controverted but is not dismissed within sixty (60) days after the commencement thereof.

10. Remedies Upon Default.

(a) Upon any default of the Debtor, at the option of the Secured Parties holding at least 66 2/3% of the principal amount of the Notes then outstanding, the Obligations secured by this Agreement shall immediately become due and payable in full without notice or demand and the Secured Parties shall have all the rights, remedies and privileges with respect to the retention and sale of the Collateral and disposition of the proceeds thereof as are accorded by the applicable sections of the Uniform Commercial Code respecting "Default."

(b) Upon any default and upon demand by the Secured Parties holding at least 66 2/3% of the principal amount of the Notes then outstanding, the Debtor shall assemble all materials relevant to the Collateral and make it available to the Secured Parties at the place and at the time designated in the demand. The proceeds of all sales and collections of the Collateral shall be applied as follows:

(i) to the payment of costs and expenses of such sales and collections and the reasonable fees of the Secured Parties counsel;

(ii) any surplus then remaining to the payment of unpaid interest under the Notes;



(iii) any surplus remaining to the payment of the unpaid principal of the

Notes;

(iv) to the payment of any other amounts required by applicable law, including without limitation, the UCC; and

(iv) any surplus then remaining shall be paid over (subject to the rights of third parties) to the Debtor or for its account. The Debtor shall remain liable for any deficiency resulting from the sale of the Collateral and shall pay any such deficiency forthwith on demand.

(c) Upon any default, the Secured Parties' reasonable attorneys' fees and the legal and other expenses for pursuing, searching for, receiving, taking, keeping, storing, advertising and selling the Collateral shall be chargeable to the Debtor. In addition, if the Debtor shall default in the performance of any of the provisions of this Agreement on the Debtor's part to be performed, the Secured Parties may perform same for the Debtor's account and any monies expended in so doing shall be chargeable with interest to the Debtor and added to the indebtedness secured hereby.

(d) Any proceeds realized from the sale and collection of the Collateral shall be distributed ratably among the Secured Parties in proportion to the principal amount of the Notes held by such Secured Parties then outstanding.

11. Termination. This Agreement shall terminate upon payment of all indebtedness and performance of all obligations under the Notes and the Secured Parties shall execute and deliver to the Debtor a UCC-3 financing statement terminating the lien of the Secured Parties on the Collateral.

12. Miscellaneous.

(a) This Agreement shall bind and inure to the benefit of the respective parties hereto, and their legal representatives, successors and assigns.

(b) This Agreement may be modified or amended in writing signed by the Debtor and Secured Parties holding at least 66 2/3% of the principal amount of the Notes then outstanding; provided, however, that no such modification or amendment may adversely affect a Secured Party unless such modification or amendment adversely affects all Secured Parties in the same manner. Any such modification or amendment shall bind any and all of the Secured Parties. This Agreement may also be modification or amendment by prior written agreement signed by the Debtor and Secured Parties holding 100% of the principal amount of all Notes then outstanding.

(c) All notices, requests, consents and other communications hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or sent by telecopy, nationally-recognized overnight courier or first class registered or certified mail, return receipt requested, postage prepaid, addressed to such party at the address set forth below or such other address as may hereafter be designated in writing by such party to the other parties:

(i) if to the Debtor, to:

Prominence Networks, Inc.  
Holmdel Corporate Plaza  
2137 Highway 35  
Holmdel, NJ 07733  
Telephone: (732) 203 9751  
Facsimile: (732) 817 9858  
Attention: Sid Nag

with a copy to (which copy shall not constitute notice):

Sachnoff & Weaver, Ltd.  
30 S. Wacker Drive, Suite 2900  
Chicago, IL 60606  
Telephone: (312) 207 1000  
Facsimile: (312) 207 6400  
Attention: Michael P. Lee

(ii) if to the Secured Parties, at the address of the Authorized Representative as appearing on the Company's records,

All such notices, requests, consents and other communications shall be deemed to have been delivered (a) in the case of personal delivery or delivery by telecopy, on the date of such delivery, (b) in the case of dispatch by nationally-recognized overnight courier, on the next business day following such dispatch and (c) in the case of mailing, on the third business day after the posting thereof.

(d) Authorized Representative. (i) By executing this Agreement, each Secured Party agrees to appoint Semir Sirazi as the initial authorized representative ("Authorized Representative") of the Secured Parties with the full power to take all actions under this Agreement on behalf of the Secured Parties, subject to the provisions of Section (d) (ii) below. In addition, the Authorized Representative shall be the attorney-in-fact for the Secured Parties and shall have the power and authority to execute and deliver consents, waivers and other documents related to this Agreement (including, without limitation, UCC financing statements), including amendments hereto, on behalf of the Secured Parties. The Authorized Representative may be changed and another person appointed in its place, with the same powers and obligations as set forth herein, by Secured Parties holding at least 66 2/3% of the principal amount of the Notes then outstanding.

(ii) Notwithstanding anything to the contrary, the Authorized Representative or the Secured Parties shall not be entitled to enforce any of their rights under this Agreement unless approved and taken by Secured Parties holding 66 2/3% of the principal amount of all Notes then outstanding. Any action taken in accordance with the preceding sentence shall in each case bind all of the Secured Parties.

[Remainder of page intentionally blank]

IN WITNESS WHEREOF, the undersigned have executed this Agreement effective as of the date first set forth above.

**PROMINENCE NETWORKS, INC.**

By: 

Name: Sid Nag

Title: President & CEO

---

**Semir D. Sirazi (as Authorized Representative)**

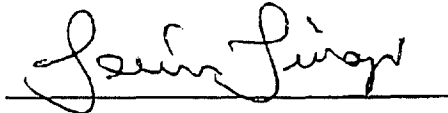
**PURCHASERS:**

IN WITNESS WHEREOF, the undersigned have executed this Agreement effective as of the date first set forth above.

**PROMINENCE NETWORKS, INC.**

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

Name: Sid Nag  
Title: President & CEO



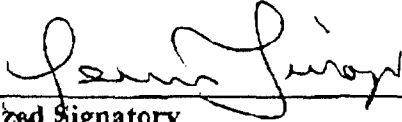
Semir D. Sirazi (as Authorized Representative)

**PURCHASERS:**

**[SEE COUNTERPART SIGNATURE PAGES]**

Counterpart Signature Page to Security Agreement

PURCHASER:



Authorized Signatory

SEMIR D. STRAZI REVOCABLE TRUST DATED JULY 14, 19  
Print Name of Purchaser

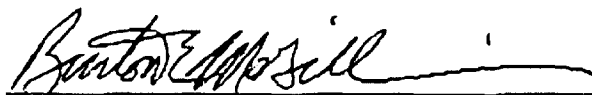
Address: 500 ELMWOOD AVENUE  
WILMETTE, ILL. 60091

Telephone: 847-251 8712

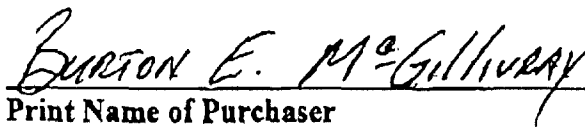
Facsimile: 847-251 8715

Counterpart Signature Page to Security Agreement

PURCHASER:



Authorized Signatory



Print Name of Purchaser

Address: 14 INDIAN HILL ROAD  
WINNETKA, IL 60093

Telephone: 847-501-3947

Facsimile: 847-501-3645

Counterpart Signature Page to Security Agreement

PURCHASER:



Authorized Signatory

PETER B. POND

Print Name of Purchaser

Address: 2920 No. COMMONWEALTH  
CHICAGO, IL 60659

Telephone: 312-261-5262

Facsimile: 312-261-5261





Annex I

Name and Address of Secured Parties

Semir D Sirazi Revocable Trust

Dated July 14, 1999

500 Elmwood Avenue

Wilmette, IL 60091

Peter Pond

Alta Equity Partners

203 North La Salle Street, Suite 2100

Chicago, IL 60601

Burton E. McGillivray

Banc One Venture Partners

55 West Monroe Street, 16th Floor

Chicago, IL 60670