

Form PTO-1595 (Rev. 10/02) OMB No. 0651-0027 (exp. 6/30/2005) Tab settings		RECORDATION FORM COVER SHEET PATENTS ONLY		U.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office	
To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.					
1. Name of conveying party(ies): Sandial Systems, Inc.		2. Name and address of receiving party(ies) Name: See attached Exhibit 1 Internal Address: Street Address: City: State: Zip:			
Additional name(s) of conveying party(ies) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Additional name(s) & address(es) attached? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
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: 11/06/2003			
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) See attached Exhibit 2 B. Patent No.(s) See attached Exhibit 2 Additional numbers attached? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO					
5. Name and address of party to whom correspondence concerning document should be mailed: Name: David Jacobs Internal Address: Lucash, Gesmer & Updegrave LLP Street Address: 40 Broad Street City: Boston State: MA Zip: 02109		6. Total number of applications and patents involved: 20 7. Total fee (37 CFR 3.41).....\$ 800.00 <input type="checkbox"/> Enclosed <input checked="" type="checkbox"/> Authorized to be charged to deposit account 8. Deposit account number: 122-315			
DO NOT USE THIS SPACE					
9. Signature: Paul L. Speidel (Reg. No. 52,239) Name of Person Signing Paul L. Speidel Signature 11/10/2003 Date Total number of pages including cover sheet, attachments, and documents: 23					

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

CH \$800.00 122315 60260197

EXHIBIT 1**Box 2 of Form PTO-1595 - RECORDATION FORM COVERSHEET - PATENTS ONLY****Name and Address of Receiving Party(ies):**

Name 1: FW Ventures VIII, L.P.
Internal Address: Suite 3100
Street Address: 201 Main Street
City: Fort Worth
State: TX
Zip: 76102

Name 2: BT Investment Partners, Inc.
Internal Address:
Street Address: 225 Franklin Street
City: Boston
State: MA
Zip: 02110

Name 3: Prism Venture Partners IV, L.P.
Internal Address: Suite 2500
Street Address: 100 Lowder Brook Drive
City: Westwood
State: MA
Zip: 02090

Name 4: Gary Bowen
Internal Address:
Street Address: 90 Marlborough Street
City: Boston
State: MA
Zip: 02116

EXHIBIT 2 Box 4 of Form PTO-1595 - RECORDATION FORM COVERSHEET -
PATENTS ONLY Patent Application Numbers or Patent Numbers:

Patents and Pending Applications					
Sandia File No.	Patent No. or Application No.	Filing Date	Status	Title	Country
SAND-002PUSP	60/250,197	11/29/00	Converted	Multiple Access Protocol for Multiple-Gigabit Optical Wavelength Division Multiplexed Local Area Networks	US
SAND-002AUS	09/994,475	11/26/01	Pending	Multiple Access Protocol for Multiple-Gigabit Optical Wavelength Division Multiplexed Local Area Networks	US
SAND-004PUSP	60/305,724	07/16/01	Converted	Method and Apparatus for Network Interface	US
SAND-004AUS	10/196,336	07/16/02	Pending	Method and Apparatus for Network Interface	US
SAND-007PUSP	60/301,669	06/28/01	Converted	Fault Tolerant Optical Data Communication Network	US
SAND-007AUS	10/186,178	06/27/02	Pending	Fault Tolerant Optical Data Communication Network	US
SAND-007BUS	10/186,302	06/27/02	Pending	Fault Tolerant Optical Data Communication Network Having Auto Discovery	US
SAND-012PUSP	60/306,651	07/18/01	Converted	Method and Apparatus for Medium Access Control for a Communications Network	US
SAND-012AUS	10/196,342	07/16/02	Pending	Integrated System and Method for Controlling Telecommunication Network Data Communicated Over a Local Area Network and Storage Data Communicated Over a Storage Area Network	US
SAND-017PUSP	60/312,847	08/16/01	Converted	Method for Non-Disruptive Network Topology Modification	US
SAND-017AUS	10/212,951	08/06/02	Pending	Non-Disruptive Network Topology Modification	US
SAND-018PUSP	60/351,065	01/23/02	Converted	System for Regulating Optical Output Power	US

SAND-018AUS	10/337,617	01/07/03	Pending	System for Regulating Optical Output Power	US
SAND-019PUS	10/186,303	06/27/02	Pending	Multiple Switch Protected Architecture	US
SAND-020PLUS	D479707	09/16/03	Issued	Cable Way Assembly (Design)	US
SAND-021PUS	10/632,420	08/01/03	Pending	Method for Programmable, Distributed, Decoupled Management of Network Devices	US
SAND-023PUS	29/164,562	07/29/02	Allowed	Cable Way Assembly Cover (Design)	US
SAND-031PUS	10/638,817	08/11/03	Pending	Network Having Switchover With no Data Loss	US
SAND-033PUSP	60/494,190	08/11/03	Pending	Methods and Apparatus for Provisioning Connection Oriented, Quality of Service Capabilities and Services	US
SAND-034PUSP	60/494,535	08/12/03	Pending	Network Switching Device Ingress Memory System	US

Note - No foreign patent applications at this time.

SECURITY AGREEMENT

This Security Agreement (this "Agreement"), dated as of November 6, 2003, is made by and between Sandial Systems, Inc., a Delaware corporation with a principal place of business at 222 International Drive, Suite 125, Portsmouth NH 03801 (the "Company"), and those lenders listed on Exhibit A hereto ("Lenders").

BACKGROUND

This Agreement is being entered into pursuant to the terms of those certain Convertible Preferred Grid Promissory Notes (the "Notes") between the Lenders and the Company dated November 6, 2003, pursuant to which the Company may borrow a minimum of \$6,000,000 and a maximum of \$9,500,000 from the Lenders (the "Loans") upon the terms and subject to the conditions set forth in the Notes. The execution and delivery of this Agreement and the grant of a security interest pursuant to this Agreement is a fundamental element of the consideration for Lenders' agreement to extend the Loans to the Company. Now, therefore, in consideration of Lenders' agreement to make the Loans and the promises herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. **Definitions.** The term "State," as used herein, means the State of Delaware. All terms defined in the Uniform Commercial Code of the State and used herein shall have the same definitions herein as specified therein. However, if a term is defined in Article 9 of the Uniform Commercial Code of the State differently than in another Article of the Uniform Commercial Code of the State, the term has the meaning specified in Article 9. The term "Obligations", as used herein, means all of the indebtedness, obligations and liabilities of the Company to the Lenders, individually or collectively, whether direct or indirect, joint or several, absolute or contingent, due or to become due, now existing or hereafter arising under or in respect of the Loans, any promissory notes or other instruments or agreements executed and delivered pursuant thereto or in connection therewith or this Agreement, and the term "Event of Default" shall have the meaning set forth in the Notes.

2. **Grant of Security Interest.** The Company hereby grants to the Lenders, to secure the timely performance in full of all of the Obligations, a first priority (except to the extent subject to a Permitted Lien (as defined below)) security interest in and pledges to the Lenders, the properties, assets and rights of the Company, wherever located, described in Exhibit B hereto, whether now owned or hereafter acquired or arising, and all proceeds and products thereof (all of the same being hereinafter called the "Collateral."). The term "Permitted Lien" as used in this Agreement shall mean (i) carriers', warehousemen's', mechanics' and other similar liens arising by operation of law in the ordinary course of business; (ii) liens arising out of pledge or deposits under worker's compensation, unemployment insurance, old age pension, social security, retirement benefits or other similar legislation; and (iii) liens for taxes not yet due or which are being contested in good faith by appropriate proceedings and for which appropriate reserves are maintained in respect thereto.

3. Authorization to File Financing Statements. The Company hereby irrevocably authorizes the Lenders at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of the Company or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of the State or such jurisdiction, or (ii) as being of an equal or lesser scope or with greater detail, and (b) provide any other information required by Article 9 of the Uniform Commercial Code of the State or such other jurisdiction for the sufficiency or filing office acceptance of any financing statement or amendment, including whether the Company is an organization, the type of organization and any organizational identification number issued to the Company, provided that in all instances, the scope of the Collateral in which the Lenders may be granted a security interest shall not exceed the Collateral as described herein. The Company agrees to furnish any such information to the Lenders promptly upon the Lenders' request. The Company also ratifies its authorization for the Lenders to have filed in any Uniform Commercial Code jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

4. Other Actions as to any and all Collateral. The Company further agrees, upon the request of the Lenders and at the Lenders' option, to take any and all other actions as may be necessary for the attachment, perfection and first priority (except to the extent subject to a Permitted Lien) of, and the ability of the Lenders to enforce, the Lenders' security interest in any and all of the Collateral, including, without limitation, (a) executing, delivering and, where appropriate, filing financing statements and amendments relating thereto under the Uniform Commercial Code, to the extent, if any, that Company's signature thereon is required therefor, (b) causing the Lenders' name to be noted as secured party on any certificate of title for a titled good if such notation is a condition to attachment, perfection or priority of, or ability of the Lenders to enforce, the Lenders' security interest in such Collateral, (c) complying with any provision of any statute, regulation or treaty of the United States as to any Collateral if compliance with such provision is a condition to attachment, perfection or priority of, or ability of the Lenders to enforce, the Lenders' security interest in such Collateral, (d) providing the Lenders with schedules of the Company's registered or unregistered intellectual property from time to time constituting Collateral, including trademarks, copyrights, patent applications and patents, and executing and delivering such agreements or filings in connection with the Lenders' security interest in such Collateral as the Lenders may from time to time reasonably request, and (e) taking all actions under the Uniform Commercial Code or under any other law, as reasonably determined by the Lenders to be applicable in any relevant Uniform Commercial Code or other jurisdiction, including any foreign jurisdiction.

5. Representations and Warranties Concerning Company's Legal Status. The Company represents and warrants to the Lenders as follows: (a) Company's exact legal name is Sandial Systems, Inc.; (b) the Company is a Delaware corporation; (c) the Company's chief executive office is located at 222 International Drive, Suite 125, Portsmouth NH 03801; and (d) the execution, delivery and performance of this Agreement has been duly authorized by the Company by all necessary corporate and other action, will not require the consent of any third party which has not already been obtained and will not conflict with, violate the provisions of, or cause a default or constitute an event which, with the passage of time or the giving of notice or both, would cause a default on the part of the Company under its charter documents, by-laws or