

PATENT ASSIGNMENT

Electronic Version v1.1
Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	SECURITY AGREEMENT
CONVEYING PARTY DATA	
Name	Execution Date
Vadium Technology, Inc.	04/15/2011
RECEIVING PARTY DATA	
Name:	CADG International, Pte, Ltd.
Street Address:	56 Dalvey Road
City:	Singapore
State/Country:	SINGAPORE
Postal Code:	259460
PROPERTY NUMBERS Total: 5	
Property Type	Number
Application Number:	10624658
Patent Number:	7317799
Application Number:	10254754
Application Number:	10254495
Application Number:	10254743
CORRESPONDENCE DATA	
Fax Number:	(678)775-2218
<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>	
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Correspondent Name:	Steven Stewart
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NAME OF SUBMITTER:	Steven Stewart
Total Attachments: 9 source=SA#page1.tif	

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PATENT
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SECURITY AGREEMENT

SECURITY AGREEMENT (the "**Agreement**"), dated April 15, 2011, made by Vadium Technology, Inc. ("**VTI**" or "**Grantor**"), in favor of CADG International, Pte., Ltd. ("**CADG**" or "**Grantee**").

WITNESSETH:

WHEREAS, Grantor and Grantee are parties to a certain Confidential Settlement Agreement and Mutual Release ("**Settlement Agreement**") dated April 15, 2011;

WHEREAS, pursuant to the Settlement Agreement and in exchange for the Mutual covenants and releases contained therein and the return of the VVC Class B Membership Interest held by CADG, along with the VTI Common Stock Purchase Warrants held by CADG to VTI the Grantor is obligated to the Grantee to pay the Grantee a total of \$2,000,000.00, plus 8% interest from February 24, 2009 to a time set forth in the Settlement Agreement (the "**Settlement Amount**").

WHEREAS, it is a condition precedent to the Settlement Agreement that the Grantor shall have executed and delivered to Grantee a security agreement providing for the grant to Grantee of a security interest in the patents and trademarks listed in Appendices A and B (the "**Collateral**").

NOW, THEREFORE, in consideration of the premises and the agreements herein and in order to induce the Grantee to execute the Settlement Agreement, Grantor hereby agrees with the Grantee as follows:

SECTION 1. Definitions.

(a) Reference is hereby made to the Settlement Agreement for a statement of the terms thereof. All terms used in this Agreement and the recitals hereto which are defined in the Settlement Agreement or in Article 9 of the Uniform Commercial Code (the "**Code**") as in effect from time to time in the State of Washington and which are not otherwise defined herein shall have the same meanings herein as set forth in the Settlement Agreement and the Code; provided that terms used herein which are defined in the Code as in effect in the State of Washington on the date hereof shall continue to have the same meaning notwithstanding any replacement or amendment of such statute except as Grantee may otherwise determine.

SECTION 2. Grant of Security Interest. As collateral security for all of the Obligations (as defined in Section 3 hereof), Grantor hereby pledges, assigns, hypothecates, transfers and sets over to the Grantee, and grants to the Grantee a security interest in the following property of Grantor, wherever located and whether now or hereafter existing and whether now owned or hereafter acquired, to the fullest extent permitted by the Code (collectively, the "**Collateral**"):

- (a) All patents listed in Appendix A; and
- (b) All trademarks listed in Appendix B.

SECTION 3. Security for Obligations. The security interest created hereby in the Collateral constitutes continuing collateral security for obligations contained in the Settlement Agreement, whether now existing or hereafter incurred (the "**Obligations**");

SECTION 4. Representations and Warranties. Grantor represents and warrants as follows:

(a) Grantor (i) is a corporation duly organized, validly existing and in good standing under the laws of the state or jurisdiction of its organization, (ii) has all requisite power and authority to execute, deliver and perform this Agreement and each other document to be executed and delivered by it pursuant hereto and to consummate the transactions contemplated hereby and thereby, and (iii) is duly qualified to do business and is in good standing in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary.

(b) The execution, delivery and performance by Grantor of this Agreement (i) has been duly authorized by all necessary corporate action, (ii) does not and will not contravene its charter or by-laws, or any applicable law or any contractual restriction or arrangement binding on or otherwise materially affecting Grantor and (iii) does not and will not result in or require the creation of any Lien upon or with respect to any of its properties other than the security interest described in Section 2 of this Agreement and (iv) does not and will not result in any default, noncompliance, suspension, revocation, impairment, forfeiture or nonrenewal of any permit, license, authorization or approval applicable to it or its operations or any of its properties.

(c) This Agreement is a legal, valid and binding obligation of Grantor, enforceable against Grantor in accordance with its terms.

(d) Grantor represents that it has previously granted security interests in the Collateral, pursuant to validly executed security agreements as described below in Section 5(b)(iii), and those security agreements will be extinguished upon CADG's receipt of the Settlement Payment or July 14, 2011, whichever occurs earlier unless the NewCo Transaction (as defined in the Parties' Confidential Settlement Agreement & Mutual Releases) or any similar transaction, occurs before July 14, 2011 the without the Settlement payment being paid to CADG, , in which case CADG shall retain the security interest, in addition to any other rights and remedies to which it may be entitled.

(e) This Agreement creates in favor of Grantee a legal, valid and enforceable security interest in the Collateral, as security for the Obligations, but only in the manner and to the extent permitted by this Confidential Security Agreement and the CADG/VTI Confidential Settlement Agreement & Mutual Releases.

(f) The exercise by the Grantee of its rights and remedies hereunder will not contravene law or any contractual restriction binding on or affecting the Grantor or any of its properties.

(g) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or other regulatory body is required for: (i) the grant by the

Grantor, or the perfection, of the security interest purported to be created hereby in the Collateral; or (ii) the exercise by the Grantee of any of its rights and remedies hereunder.

SECTION 5. Covenants as to the Collateral. So long as any of the Obligations shall remain outstanding and the applicable provisions of the Settlement Agreement shall not have expired or terminated, unless Grantee shall otherwise consent in writing:

(a) Further Assurances. Grantor will at its expense, at any time and from time to time, promptly execute and deliver all further instruments and documents and take all further action that may be necessary or desirable or that Grantee may request or may otherwise be required in order to (i) perfect and protect the security interest created hereby; (ii) enable Grantee to exercise and enforce its rights and remedies hereunder in respect of the Collateral; and (iii) otherwise effect the purposes of this Agreement.

(b) Transfers and Other Liens.

(i) Grantor will not sell or otherwise transfer (by operation of law or otherwise) any of the Collateral, except as contemplated under the Settlement Agreement.

(ii) Grantor will not create, suffer to exist or grant any Lien upon or with respect to any Collateral, other than the preexisting, perfected security interests identified below.

(iii) Grantor represents that the following pre-existing, perfected security interests in the collateral exist:

David Vey
S. Shawn Tacey
Michael Kichline
David Jones
Elizabeth Hammersmith & Wolfgang Hammersmith
John Brasino

(c) Grantor's Legal Status. The Grantor will provide the Grantee ten (10) days prior written notice of any change in the Grantor's name, identity (including organizational identification number if it has one or later obtains one), chief place of business, chief executive office, type of organization, jurisdiction of organization or other legal structure, and prior to such change Grantor will have presented to the Grantee evidence satisfactory to it of the filing or execution of all documents necessary to maintain the security interests granted hereunder at all times.

(d) Obligations. Grantor shall take no action discharging, canceling, extinguishing or otherwise impairing its right, title and interest in and to any of the Collateral. The Grantor shall be the owner of the Collateral free from any right or claim of any other person, lien, security interest or other encumbrance, and the Grantor shall defend the same against all claims and demands of all persons at any time claiming the same or any interests that are adverse to the Grantee. The Grantor shall not pledge, mortgage or create, or suffer to exist any right of any person in or claim by one person to the Collateral, or any security interest, lien or

encumbrance in the Collateral in favor of any person other than the Grantee (except as contemplated under the Settlement Agreement).

SECTION 6. Additional Provisions Concerning the Collateral

(a) Grantor, subject to the limitations of Section 6(b) and Section 7 of this Security Agreement, hereby irrevocably appoints Grantee as its attorney-in-fact and proxy, with full authority in the place and stead of Grantor and in the name of Grantor or otherwise, from time to time in Grantee's discretion, to take any action and to execute any instrument which Grantee may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to execute assignments, licenses and other documents to enforce the rights of Grantee with respect to any Collateral. This power is coupled with an interest and is irrevocable until all of the Obligations are indefeasibly satisfied in full.

(b) The powers conferred on Grantee under Section 6(a) are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Furthermore, Grantee shall not have the powers described in Section 6(a) in the absence of a default as defined by Section 7. CADG's security interest in the Collateral will be released upon CADG's receipt of the Settlement Payment or July 14, 2011 whichever occurs earlier unless the NewCo Transaction (as defined in the Parties' Confidential Settlement Agreement & Mutual Releases) or any similar transaction, occurs before July 14, 2011 without the Settlement payment being paid to CADG, in which case CADG shall retain the security interest, in addition to any other rights and remedies to which it may be entitled.

SECTION 7. Remedies Upon Default. Default shall be deemed to occur if the NewCo Transaction (set forth in the Settlement Agreement as a condition thereof) closes but VTI does not make the corresponding payment to CADG within one week. In the event of default:

(a) Grantee may exercise in respect to the Collateral, in addition to any other rights and remedies provided for herein or otherwise available to it, all of the rights and remedies of a secured party upon default under the Code (whether or not the Code applies to the affected Collateral) without notice except as subject to the rights of others identified herein in the collateral and as specified below and without any obligation to prepare or process the Collateral for sale, sell the Collateral or any part thereof in one or more parcels at public or private sale, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as Grantee may deem commercially reasonable. All cash proceeds received by Grantee in respect of any sale of or collection from, or other realization upon, all or any part of the Collateral may, subject to the rights of others in the collateral, in the discretion of Grantee, be held by Grantee as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to Grantee pursuant to Section 8 hereof) in whole or in part by Grantee against, all or any part of the Obligations in such order as Grantee shall elect. Any surplus of such cash or cash proceeds held by Grantee and remaining after the indefeasible payment in full of all of the Obligations shall be paid over to whomsoever shall be lawfully entitled to receive the same or as a court of competent jurisdiction shall direct.

(b) In the event that the proceeds of any such sale, collection or realization are insufficient to pay all amounts to which Grantee is legally entitled, Grantor shall be liable for the

deficiency, together with interest thereon at the rate specified in the Settlement Agreement for interest on overdue principal thereof or such other rate as shall be fixed by applicable law, together with the costs of collection and the reasonable fees, costs, expenses and other client charges of any attorneys employed by Grantee to collect such deficiency.

(c) Grantor hereby acknowledges that if Grantee complies with all applicable state or federal law requirements in connection with a disposition of the Collateral, such compliance will not adversely affect the commercial reasonableness of any sale or other disposition of the Collateral.

SECTION 8. Indemnity and Expenses.

(a) Grantor agrees to defend, protect, indemnify and hold Grantee and its current and former members and managers (the "**Indemnified Parties**") harmless from and against any and all claims, damages, losses, liabilities, obligations, penalties, fees, costs and expenses (including, without limitation, reasonable legal fees, costs, expenses, and disbursements of counsel to the Indemnified Parties) to the extent that they arise out of or otherwise result from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities resulting solely and directly from Grantee's gross negligence or willful misconduct, as determined by a final judgment of a court of competent jurisdiction.

(b) Grantor will upon demand pay to Grantee the amount of any and all costs and expenses, including the reasonable fees, costs, expenses and disbursements of counsel for Grantee and of any experts of Grantee (including, without limitation, any collateral trustee which may act as agent of Grantee), which Grantee may incur in connection with (i) the preparation, negotiation, execution, delivery, recordation, administration, amendment, waiver or other modification or termination of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any Collateral, (iii) the exercise or enforcement of any of the rights of Grantee hereunder, or (iv) the failure by Grantor to perform or observe any of the provisions hereof.

SECTION 10. Notices, Etc. All notices and other communications provided for hereunder shall be in writing.

SECTION 11. Miscellaneous.

(c) No amendment of any provision of this Agreement shall be effective unless it is in writing and signed by Grantor and Grantee, and no waiver of any provision of this Agreement, and no consent to any departure by Grantor therefrom, shall be effective unless it is in writing and signed by Grantee, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(d) No failure on the part of Grantee to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of Grantee in the Settlement Agreement are cumulative and are in addition to, and not exclusive of, any rights or remedies provided by law. The rights of Grantee

against Grantor are not conditional or contingent on any attempt by Grantor to exercise any of its rights against Grantee.

(e) Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

(f) This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the indefeasible payment in full of the Obligations, and (ii) be binding on Grantor in accordance with Section 9-203(d) of the Code and shall inure, together with all rights and remedies of Grantee, to the benefit of Grantee and its respective permitted successors, transferees and assigns. Without limiting the generality of clause (ii) of the immediately preceding sentence, without notice to Grantor, Grantee may assign or otherwise transfer its rights and obligations under this Agreement to any other Person and such other Person shall thereupon become vested with all of the benefits in respect thereof granted to Grantee herein or otherwise. Upon any such assignment or transfer, all references in this Agreement to Grantee shall mean the assignee of Grantee. None of the rights or obligations of Grantor hereunder may be assigned or otherwise transferred without the prior written consent of Grantee, and any such assignment or transfer shall be null and void.

(g) Upon the satisfaction in full of the Obligations, (i) this Agreement and the security interests created hereby shall terminate and all rights to the Collateral shall revert to Grantor and (ii) Grantee will, upon Grantor's request and at Grantor's expense, (A) return to Grantor such of the Collateral as shall not have been sold or otherwise disposed of or applied pursuant to the terms hereof and/or (B) execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence such termination, all without any representation, warranty or recourse whatsoever.

(h) THIS AGREEMENT SHALL BE GOVERNED BY, CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF WASHINGTON, EXCEPT AS REQUIRED BY MANDATORY PROVISIONS OF LAW AND EXCEPT TO THE EXTENT THAT THE VALIDITY AND PERFECTION OR THE PERFECTION AND THE EFFECT OF PERFECTION OR NON-PERFECTION OF THE SECURITY INTEREST CREATED HEREBY, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAW OF A JURISDICTION OTHER THAN THE STATE OF WASHINGTON.

(i) ANY LEGAL ACTION, SUIT OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED THERETO SHALL ONLY BE BROUGHT IN THE COURTS OF THE STATE OF WASHINGTON IN KING COUNTY, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, GRANTOR HEREBY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. GRANTOR HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF

VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION, SUIT OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY THE COURT.

(h) Grantor irrevocably consents to the service of process of any of the aforesaid courts in any such action, suit or proceeding by the mailing of copies thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to Grantor at the following address, such service to become effective 10 days after such mailing:

Vadium Technology, Inc.
c/o Rod Nicholls
4507 Pacific Highway East, Ste D
Tacoma, WA 98424

David C. Tingstad
Beresford Booth, PLLC
145 Third Avenue S., Suite 200
Edmonds, WA 98020
davidt@beresfordlaw.com

(i) Nothing contained herein shall affect the right of Grantee to serve process in any other manner permitted by law or commence legal proceedings or otherwise proceed against Grantor or any property of Grantor in any other jurisdiction.

(j) The Parties irrevocably and unconditionally waive any right they may have to claim or recover any special, exemplary, punitive or consequential damages resulting from breach of this Security Agreement.

(k) Section headings herein are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

(l) This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together constitute one in the same Agreement.

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

VADIUM TECHNOLOGY, INC.

By: 

Name: Rod Nicholls
Title: President

CADG INTERNATIONAL, PTE., LTD.

By: 

Name: _____
Title: _____

APPENDIX A

U.S. Publication No. 20040136537
Cryptographic key distribution using key unfolding
Assigned to Vadium Technology, Inc.
4507 Pacific Highway East, Suite D
Tacoma, WA 98424

U.S. Publication No. 20040017917 / U.S. PATENT No. 7,317,799
Cryptographic key distribution using key folding
Assigned to Vadium Technology, Inc.
4507 Pacific Highway East, Suite D
Tacoma, WA 98424

U.S. Publication No. 20030026431
One-time-pad encryption with central key service and key management
Assigned to Vadium Technology, Inc.
P.O. Box 4333
Seattle, WA 98104

U.S. Publication No. 20030026429
One-time-pad encryption with key ID and offset for starting point
Assigned to Vadium Technology, Inc.
4507 Pacific Highway East, Suite D
Tacoma, WA 98424

U.S. Publication No. 20030016821
One-time-pad encryption with keyable characters
Assigned to Vadium Technology, Inc.
4507 Pacific Highway East, Suite D
Tacoma, WA 98424

APPENDIX B:

Serial Number	Reg. Number	Word Mark	Status Live/Dead
78366862	2988236	ALPHACIPHER MOBILE	LIVE
78360692	2925286	ALPHACIPHER DESKTOP	LIVE
78282610	3230443	ALPHACIPHER	LIVE