


Form TTD-1594 (Rev. 10/02) OMB No. 0551-0027 (exp. 6/30/2006) Tab settings $\Rightarrow \Rightarrow \Rightarrow$		RECORDATION FORM COVER SHEET TRADEMARKS 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): <u>Viadux, Inc.</u> <input type="checkbox"/> Individual(s) <input type="checkbox"/> Association <input type="checkbox"/> General Partnership <input type="checkbox"/> Limited Partnership <input checked="" type="checkbox"/> Corporation-State <u>California</u> <input type="checkbox"/> Other _____ Additional name(s) of conveying party(ies) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			2. Name and address of receiving party(ies) Name: <u>Ampersand 2001 Limited Partnership</u> Internal <u>See Attachment 2 for additional names</u> Address: <u>55 William Street, Suite 240</u> Street Address: <u>See above</u> City: <u>Wellesley</u> State: <u>MA</u> Zip: <u>02481</u> <input type="checkbox"/> Individual(s) citizenship _____ <input type="checkbox"/> Association _____ <input type="checkbox"/> General Partnership _____ <input checked="" type="checkbox"/> Limited Partnership _____ <input type="checkbox"/> Corporation-State _____ <input type="checkbox"/> Other _____ <small>If assignee is not domiciled in the United States, a domestic representative designation is attached: <input type="checkbox"/> Yes <input type="checkbox"/> No (Designations must be a separate document from assignment) Additional name(s) & address(es) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</small>		
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: <u>August 25, 2003</u>					
4. Application number(s) or registration number(s): A. Trademark Application No.(s) <u>75758,606; 76504,584; 75776,864; 76777,118; 76404,366</u> Additional number(s) attached <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			B. Trademark Registration No.(s) <u>1408152; 1408202; 1407774; 1407022</u>		
5. Name and address of party to whom correspondence concerning document should be mailed: Name: <u>Martin C. Nichols</u> Internal Address: <u>Heller Ehrman White & McAuliffe LLP</u> <u>4350 La Jolla Village Drive, 7th Floor, San Diego, CA 92122</u> Street Address: <u>4350 La Jolla Village Drive, 7th Floor</u> City: <u>San Diego</u> State: <u>CA</u> Zip: <u>92122</u>			6. Total number of applications and registrations involved; 9		
			7. Total fee (37 CFR 3.41).....\$ _____ <input type="checkbox"/> Enclosed <input checked="" type="checkbox"/> Authorized to be charged to deposit account		
			8. Deposit account number: <u>501213</u> <small>(Attach duplicate copy of this page if paying by deposit account)</small>		
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> <u>Martin C. Nichols</u>  <u>August 25, 2003</u> Name of Person Signing Signature Date					
<small>Total number of pages including cover sheet, electronic, and document: 20</small>					
<small>Mail documents to be recorded with required cover sheet information to: Commissioner of Patent & Trademarks, Box Assignments Washington, D.C. 20231</small>					

ATTACHMENT 2 TO
RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

Name of Conveying party: Viadux, Inc.

Name and address

of receiving parties: Ampersand 2001 Companion Fund Limited Partnership
55 William Street, Suite 240
Wellesley, MA 02481

Edgewater Private Equity Fund III
1900 Main Street, Suite 175
Irvine, CA 92614

SD 624213 v1
(40311.0003)

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement"), dated as of August 25, 2003, is made by and among VIADUX, INC., a California corporation ("Debtor"), Ampersand 2001 Limited Partnership ("Ampersand LP"), Ampersand 2001 Companion Fund Limited Partnership and Edgewater Private Equity Fund III ("Edgewater") (each a "Lender" and collectively the "Lenders"), holders of Convertible Secured Promissory Notes dated as of the date hereof issued by Debtor in the aggregate principal amount of \$1,500,000.00 (the "Notes").

RECITALS

WHEREAS, Debtor has executed and delivered the Notes payable to the order of the Lenders pursuant to that certain Convertible Secured Note Purchase Agreement by and between Debtor and the Lenders dated as of the date hereof (the "Purchase Agreement");

WHEREAS, the Lenders have requested that Ampersand LP serve as the collateral agent for purposes of this Agreement (the "Collateral Agent"), and the Collateral Agent has agreed to act as representative and collateral agent for the Lenders solely as an accommodation to the Lenders for the purpose of entering into this Agreement for the benefit of the Lenders and holding the security interests created hereby. The Collateral Agent has not acted for Edgewater in the negotiation or execution of the Documents (as defined below), and Edgewater acknowledges that it has reviewed such agreements independently and not relied upon the Collateral Agent (or any of its officers, employees, directors, agents, or attorneys) in making its decision to enter into the Documents and consummate the transactions contemplated thereby, and

WHEREAS, in connection with the Notes, Debtor desires to grant a security interest in certain collateral to the Collateral Agent as set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals and the mutual covenants hereinafter set forth, the parties hereby agree as follows:

1. Definitions; Interpretation.

- (a) All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned to them in the Purchase Agreement and the Notes.
- (b) As used in this Agreement, the following terms shall have the following meanings:

"*Collateral*" has the meaning set forth in Section 2.

"*Documents*" means this Agreement, the Purchase Agreement, the Notes and all other certificates, documents, agreements and instruments delivered to the Collateral Agent under the Notes or in connection with the Obligations.

"Event of Default" has the meaning set forth in Section 6 of the Note.

"Lien" means any mortgage, deed of trust, pledge, security interest, assignment, deposit arrangement, charge or encumbrance, lien, or other type of preferential arrangement.

"Notes" has the meaning set forth in the preamble above, as such may be amended, modified, renewed, extended or replaced from time to time.

"Obligations" means the indebtedness, liabilities and other obligations of Debtor to the Collateral Agent under or in connection with the Notes or any of the other Documents, including, without limitation, all unpaid principal of the Notes, all interest accrued thereon, all fees and all other amounts payable by Debtor to the Collateral Agent thereunder or in connection therewith, whether now existing or hereafter arising, and whether due or to become due, absolute or contingent, liquidated or unliquidated, determined or undetermined.

"Permitted Lien" means (i) any Lien(s) existing as of the date hereof and disclosed in writing to the Collateral Agent; (ii) Lien(s) (A) upon or in any property (and proceeds thereof) acquired or held by Debtor or any of its subsidiaries to secure the purchase price of such property or indebtedness incurred solely for the purpose of financing the acquisition of such property, or (B) existing on such property at the time of its acquisition, provided that the Lien is confined solely to the property (and proceeds thereof) so acquired and improvements thereon; (iii) Lien(s) on assets of Persons which become subsidiaries of Debtor after the date hereof, provided that such Lien(s) existed at the time the respective Persons became subsidiaries of Debtor and were not created in anticipation thereof, and (iv) other Lien(s) which arise in the ordinary course of business and do not materially impair Debtor's ownership or use of the Collateral or the value thereof.

"Person" means an individual, corporation, partnership, joint venture, trust, unincorporated organization, governmental agency or authority, or any other entity of whatever nature.

"UCC" means the Uniform Commercial Code as the same may, from time to time, be in effect in the State of California.

(c) Where applicable and except as otherwise defined herein or the Purchase Agreement, terms used in this Agreement shall have the meanings assigned to them in the UCC.

(d) In this Agreement, (i) the meaning of defined terms shall be equally applicable to both the singular and plural forms of the terms defined; and (ii) the captions and headings are for convenience of reference only and shall not affect the construction of this Agreement.

2. Security Interest.

(a) As security for the payment and performance of the Obligations, Debtor hereby grants to the Collateral Agent, for itself and on behalf of and for the ratable benefit of

each of the Lenders, a security interest in all of Debtor's right, title and interest in, to and under all of its personal property, wherever located and whether now existing or owned or hereafter acquired or arising, including all accounts, chattel paper, commercial tort claims, deposit accounts, documents, equipment (including all fixtures), instruments, inventory, investment property, letter-of-credit rights, money, general intangibles including, without limitation, all intellectual property and all rights therein of any type or description, including, without limitation, all inventions and discoveries, patents and patent applications, trademarks, service marks and trade names, and applications for registration of such trademarks, service marks and trade names, trade secrets, trade dress, trade styles, logos, other source of business identifiers, mask-works, mask-work registrations, mask-work applications, software, confidential and proprietary information, and all licenses relating to any of the foregoing, all reissuance, continuations and continuations-in-part of the foregoing, all other rights derived from or associated with the foregoing, including the right to sue and recover for past infringement, and all income and royalties with respect thereto, and all products, proceeds and supporting obligations of any and all of the foregoing (collectively, the "Collateral").

(b) Anything herein to the contrary notwithstanding, (i) Debtor shall remain liable under any contracts, agreements and other documents 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, (ii) the exercise by the Collateral Agent of any of the rights hereunder shall not release Debtor from any of its duties or obligations under such contracts, agreements and other documents included in the Collateral, and (iii) the Collateral Agent shall have no obligation or liability under any contracts, agreements and other documents included in the Collateral by reason of this Agreement, nor shall the Collateral Agent be obligated to perform any of the obligations or duties of Debtor thereunder or to take any action to collect or enforce any such contract, agreement or other document included in the Collateral hereunder.

(c) This Agreement shall create a continuing security interest in the Collateral which shall remain in effect until terminated in accordance with Section 18 hereof.

3. Financing Statements, Etc. Debtor shall execute and deliver to the Collateral Agent concurrently with the execution of this Agreement, and Debtor hereby authorizes the Collateral Agent to file (with or without Debtor's signature), at any time and from time to time thereafter, all financing statements, assignments, amendments, continuation financing statements, termination statements, account control agreements, and other documents and instruments, in form reasonably satisfactory to the Collateral Agent, and take all other action, as the Collateral Agent may reasonably request, to perfect and continue perfected, maintain the priority of or provide notice of the security interest of the Collateral Agent in the Collateral. Without limiting the generality of the foregoing, Debtor ratifies and authorizes the filing by the Collateral Agent of any financing statements with respect to the Collateral filed prior to the date hereof in connection with the transactions contemplated by the Documents. Debtor will cooperate with the Collateral Agent in obtaining control (as defined in the UCC) of Collateral (other than Collateral subject to a Permitted Lien) consisting of deposit accounts, investment property, letter of credit rights and electronic chattel paper. Debtor will join with the Collateral Agent in notifying any third party who has possession of any Collateral (other than Collateral

subject to a Permitted Lien) of the Collateral Agent's security interest therein and obtaining an acknowledgment from the third party that it is holding the Collateral (other than Collateral subject to a Permitted Lien) for the benefit of the Collateral Agent. Debtor will not create any chattel paper (other than Collateral subject to a Permitted Lien) without placing a legend on the chattel paper acceptable to the Collateral Agent indicating that the Collateral Agent has a security interest in the chattel paper.

4. Representations and Warranties. Debtor represents and warrants to the Collateral Agent that:

(a) Debtor is duly organized, validly existing and in good standing under the law of the jurisdiction of its organization and has all requisite power and authority to execute, deliver and perform its obligations under this Agreement.

(b) The execution, delivery and performance by Debtor of this Agreement have been duly authorized by all necessary action of Debtor, and this Agreement constitutes the legal, valid and binding obligation of Debtor, enforceable against Debtor in accordance with its terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally.

(c) No authorization, consent, approval, license, exemption of, or filing or registration with, any governmental authority or agency, or approval or consent of any other Person is required for the due execution, delivery or performance by Debtor of this Agreement, except for any filings necessary to perfect any Liens on any Collateral.

(d) Debtor's chief executive office and principal place of business (as of the date of this Agreement) is located at the address set forth in Schedule 1; Debtor's jurisdiction of organization is set forth in Schedule 1; Debtor's exact legal name is as set forth in the first paragraph of this Agreement; and all other locations where Debtor conducts business or Collateral is kept (as of the date of this Agreement) are set forth in Schedule 2.

(e) Debtor has rights in or the power to transfer the Collateral, and Debtor is the sole and complete owner of the Collateral, free from any Lien other than Permitted Liens.

(f) All of Debtor's material U.S. and foreign patents and patent applications, copyrights (whether or not registered), applications for copyright, trademarks, service marks and trade names (whether registered or unregistered), and applications for registration of such trademarks, service marks and trade names, are set forth in Schedule 2.

(g) No control agreements exist with respect to any Collateral (other than Collateral subject to a Permitted Lien) other than control agreements in favor of the Collateral Agent.

(h) As of the date hereof, Debtor does not have or hold any chattel paper, letter-of-credit rights or commercial tort claims except as disclosed to the Collateral Agent;

provided, however, that a failure to disclose such a claim will not be construed to be a waiver of such claim.

(i) The names and addresses of all financial institutions and other Persons at which Debtor maintains its deposit and securities accounts, and the account numbers and account names of such accounts, are set forth in Schedule 1.

5. Covenants. So long as any of the Obligations remain unsatisfied, Debtor agrees that:

(a) Debtor shall appear in and defend any action, suit or proceeding which may affect to a material extent its title to, or right or interest in, or the Collateral Agent's right or interest in, the Collateral, and shall do and perform all reasonable acts that may be necessary and appropriate to maintain, preserve and protect the Collateral.

(b) Debtor shall comply in all material respects with all laws, regulations and ordinances, and all policies of insurance, relating in a material way to the possession, operation, maintenance and control of the Collateral.

(c) Debtor shall give prompt written notice to the Collateral Agent (and in any event not later than 30 days following any change described below in this subsection) of: (i) any change in the location of Debtor's chief executive office or principal place of business; (ii) any change in the locations set forth in Schedule 1; (iii) any change in its name; (iv) any changes in its identity or structure in any manner which might make any financing statement filed hereunder incorrect or misleading; (v) any change in its registration as an organization (or any new such registration); or (vi) any change in its jurisdiction of organization; provided that Debtor shall not locate any Collateral outside of the United States nor shall Debtor change its jurisdiction of organization to a jurisdiction outside of the United States.

(d) Debtor shall carry and maintain in full force and effect, at its own expense and with financially sound and reputable insurance companies, insurance with respect to the Collateral in such amounts, with such deductibles and covering such risks as is customarily carried by companies engaged in the same or similar businesses and owning similar properties in the localities where Debtor operates. Upon the request of the Collateral Agent, Debtor shall furnish to the Collateral Agent from time to time with full information as to the insurance carried by it and, if so requested, copies of all such insurance policies. Debtor shall also furnish to the Collateral Agent from time to time upon the request of the Collateral Agent a certificate of Debtor's insurance broker or other insurance specialist stating that all premiums then due on the policies relating to insurance on the Collateral have been paid and that such policies are in full force and effect.

(e) Debtor shall keep separate, accurate and complete books and records with respect to the Collateral, disclosing the Collateral Agent's security interest hereunder.

(f) Debtor shall not surrender or lose possession of, sell, lease, rent, or otherwise dispose of or transfer any of the Collateral (other than Collateral subject to a Permitted Lien) or any right or interest therein, except in the ordinary course of business or unless such

Collateral is replaced by comparable Collateral of similar value; provided that no such disposition or transfer of Collateral consisting of investment property or instruments shall be permitted while any Event of Default exists.

(g) Debtor shall keep the Collateral free of all Liens except Permitted Liens.

(h) Debtor shall pay and discharge all taxes, fees, assessments and governmental charges or levies imposed upon it with respect to the Collateral prior to the date on which penalties attach thereto, except to the extent such taxes, fees, assessments or governmental charges or levies are being contested in good faith by appropriate proceedings.

(i) Debtor shall maintain and preserve its legal existence, its rights to transact business and all other material rights, franchises and privileges necessary or desirable in the normal course of its business and operations and the ownership of the Collateral, except in connection with any transactions expressly permitted by the Notes or any other Document.

(j) Upon the request of the Collateral Agent, Debtor shall (except with respect to Collateral subject to a Permitted Lien) (i) immediately deliver to the Collateral Agent, or an agent designated by it, appropriately endorsed or accompanied by appropriate instruments of transfer or assignment, all documents and instruments, all certificated securities with respect to any investment property, all letters of credit and all accounts and other rights to payment at any time evidenced by promissory notes, trade acceptances or other instruments, (ii) cause any securities intermediaries to show on their books that the Collateral Agent is the entitlement holder with respect to any investment property, and/or obtain account control agreements in favor of the Collateral Agent from such securities intermediaries, in form and substance satisfactory to the Collateral Agent, with respect to any investment property, as requested by the Collateral Agent, and (iii) provide such notice, obtain such acknowledgments and take all such other action, with respect to any chattel paper, documents and letter-of credit rights, as the Collateral Agent shall reasonably specify.

6. Collection of Accounts. Until the Collateral Agent exercise its right hereunder to collect the accounts and other rights to payment, Debtor shall endeavor in the first instance diligently to collect all amounts due or to become due on or with respect to the accounts and other rights to payment. At the request of the Collateral Agent, upon the occurrence and during the continuance of any Event of Default, all remittances received by Debtor (other than with respect to Collateral subject to a Permitted Lien) shall be held in trust for the Collateral Agent and, in accordance with the Collateral Agent's instructions, remitted to the Collateral Agent or deposited into account(s) of the Collateral Agent in the form received (with any necessary endorsements or instruments of assignment or transfer). At the request of the Collateral Agent, upon and after the occurrence of any Event of Default, the Collateral Agent shall be entitled to (other than with respect to Collateral subject to a Permitted Lien) receive all distributions and payments of any nature with respect to any investment property or instruments, and all such distributions or payments received by Debtor shall be held in trust for the Collateral Agent and, in accordance with the Collateral Agent's instructions, remitted to the Collateral Agent or deposited into account(s) with the Collateral Agent in the form received (with any necessary endorsements or instruments of assignment or transfer). Following the occurrence of an Event of

Default any such distributions and payments with respect to any investment property held in any securities account (other than with respect to Collateral subject to a Permitted Lien) shall be held and retained in such securities account, in each case as part of the Collateral hereunder. Additionally, the Collateral Agent shall have the right (other than with respect to Collateral subject to a Permitted Lien), upon the occurrence of an Event of Default, following prior written notice to Debtor, to vote and to give consents, ratifications and waivers with respect to any investment property and instruments, and to exercise all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining thereto, as if the Collateral Agent were the absolute owner thereof; provided that the Collateral Agent shall have no duty to exercise any of the foregoing rights afforded to it and shall not be responsible to Debtor or any other Person for any failure to do so or delay in doing so.

7. Authorization: Collateral Agent Appointed Attorney-In-Fact. The Collateral Agent shall have the right to, in the name of Debtor, or in the name of the Collateral Agent or otherwise, upon notice to but without the requirement of assent by Debtor, and Debtor hereby constitutes and appoints the Collateral Agent (and any of the Collateral Agent's officers, employees or agents designated by the Collateral Agent) as Debtor's true and lawful attorney-in-fact, with full power and authority to: (i) sign and file any of the financing statements and other documents and instruments which must be executed or filed to perfect or continue perfected, maintain the priority of or provide notice of the Collateral Agent's security interest in the Collateral (including any notices to or agreements with any securities intermediary); (ii) assert, adjust, sue for, compromise or release any claims under any policies of insurance; (iii) give notices of control, default or exclusivity (or similar notices) under any account control agreement or similar agreement with respect to exercising control over deposit accounts or securities accounts; and (iv) execute any and all such other documents and instruments, and do any and all acts and things for and on behalf of Debtor, which the Collateral Agent may deem reasonably necessary or advisable to maintain, protect, realize upon and preserve the Collateral and the Collateral Agent's security interest therein and to accomplish the purposes of this Agreement. The Collateral Agent agrees that, except upon and during the continuance of an Event of Default, they shall not exercise the power of attorney, or any rights granted to the Collateral Agent, pursuant to clauses (ii), (iii) and (iv). The foregoing power of attorney is coupled with an interest and irrevocable so long as the Obligations have not been paid and performed in full. Debtor hereby ratifies, to the extent permitted by law, all that the Collateral Agent shall lawfully and in good faith do or cause to be done by virtue of and in compliance with this Section 7.

8. Remedies.

(a) Upon the occurrence and continuance of any Event of Default, the Collateral Agent may declare any of the Obligations to be immediately due and payable and shall have, in addition to all other rights and remedies granted to it in this Agreement, the Note or any other Document, all rights and remedies of a secured party under the UCC and other applicable laws. Without limiting the generality of the foregoing, (i) the Collateral Agent may peaceably and without notice enter any premises of Debtor, take possession of any of the Collateral, remove or dispose of all or part of the Collateral on any premises of such Debtor or elsewhere, or, in the case of equipment, render it nonfunctional, and otherwise collect, receive, appropriate and realize upon all or any part of the Collateral, and demand, give receipt for, settle, renew,

extend, exchange, compromise, adjust, or sue for all or any part of the Collateral, as the Collateral Agent may determine; (ii) the Collateral Agent may require any Debtor to assemble all or any part of the Collateral and make it available to the Collateral Agent at any place and time designated by the Collateral Agent; (iii) the Collateral Agent may secure the appointment of a receiver of the Collateral or any part thereof (to the extent and in the manner provided by applicable law); (iv) the Collateral Agent may sell, resell, lease, use, assign, license, sublicense, transfer or otherwise dispose of any or all of the Collateral in its then condition or following any commercially reasonable preparation or processing (utilizing in connection therewith any of Debtor's assets, without charge or liability to the Collateral Agent therefor) at public or private sale, by one or more contracts, in one or more parcels, at the same or different times, for cash or credit, or for future delivery without assumption of any credit risk, all as the Collateral Agent deems advisable; provided, however, that Debtor shall be credited with the net proceeds of sale only when such proceeds are finally collected by the Collateral Agent. The Collateral Agent shall have the right upon any such public sale, and, to the extent permitted by law, upon any such private sale, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption, which right or equity of redemption Debtor hereby releases, to the extent permitted by law. The Collateral Agent shall give Debtor such notice of any private or public sales as may be required by the UCC or other applicable law.

(b) For the purpose of enabling the Collateral Agent to exercise its rights and remedies under this Section 8 or otherwise in connection with this Agreement, Debtor hereby grants to the Collateral Agent an irrevocable, non-exclusive and assignable license (exercisable without payment or royalty or other compensation to Debtor) to use, license or sublicense any intellectual property Collateral.

(c) The Collateral Agent shall have no obligation to clean up or otherwise prepare the Collateral for sale. The Collateral Agent shall have no obligation to attempt to satisfy the Obligations by collecting them from any other Person liable for them, and the Collateral Agent may release, modify or waive any Collateral provided by any other Person to secure any of the Obligations, all without affecting the Collateral Agent's rights against Debtor. Debtor waives any right it may have to require the Collateral Agent to pursue any third Person for any of the Obligations. The Collateral Agent may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral. The Collateral Agent may sell the Collateral without giving any warranties as to the Collateral. The Collateral Agent may specifically disclaim any warranties of title or the like. This procedure will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral. If the Collateral Agent sells any of the Collateral upon credit, Debtor will be credited only with payments actually made by the purchaser, received by the Collateral Agent and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, the Collateral Agent may resell the Collateral and Debtor shall be credited with the proceeds of the sale.

(d) To the extent Debtor uses the proceeds of any of the Obligations to purchase Collateral, Debtor's repayment of the Obligations shall apply on a "first-in, first-out"

basis so that the portion of the Obligations used to purchase a particular item of Collateral shall be paid in the chronological order Debtor purchased the Collateral.

(e) The cash proceeds actually received from the sale or other disposition or collection of Collateral, and any other amounts received in respect of the Collateral the application of which is not otherwise provided for herein, shall be applied first, to the payment of the reasonable costs and expenses of the Collateral Agent in exercising or enforcing its rights hereunder and in collecting or attempting to collect any of the Collateral, and to the payment of all other amounts payable to the Collateral Agent pursuant to Section 1.2 hereof; and second, to the payment of the Obligations. Any surplus thereof which exists after payment and performance in full of the Obligations shall be promptly paid over to Debtor or otherwise disposed of in accordance with the UCC or other applicable law. Debtor shall remain liable to the Collateral Agent for any deficiency which exists after any sale or other disposition or collection of Collateral.

9. Certain Waivers. Debtor waives, to the fullest extent permitted by law, (i) any right of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling of the Collateral or other collateral or security for the Obligations; (ii) any right to require the Collateral Agent (A) to proceed against any Person, (B) to exhaust any other collateral or security for any of the Obligations, or (C) to make or give any presentments, demands for performance, notices of nonperformance, protests, notices of protests or notices of dishonor in connection with any of the Collateral; and (iii) all claims, damages, and demands against the Collateral Agent arising out of the repossession, retention, sale or application of the proceeds of any sale of the Collateral, other than claims for violations of law and willful misconduct.

10. Notices. All notices or other communications hereunder shall be in writing (including by facsimile transmission or by email) and mailed, sent or delivered to the respective parties hereto at or to their respective addresses, facsimile numbers or email addresses set forth below their names on the signature pages hereof, or at or to such other address, facsimile number or email address as shall be designated by any party in a written notice to the other parties hereto. All such notices and other communications shall be deemed to be delivered when a record (within the meaning of the UCC) has been (i) delivered by hand; (ii) sent by mail upon the earlier of the date of receipt or five business days after deposit in the mail, first class (or air mail as to communications sent to or from the United States); (iii) sent by facsimile transmission; or (iv) received by email.

11. No Waiver; Cumulative Remedies. No failure on the part of the Collateral Agent to exercise, and no delay in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights and remedies under this Agreement are cumulative and not exclusive of any rights, remedies, powers and privileges that may otherwise be available to the Collateral Agent.

12. Costs and Expenses.

(a) Debtor agrees to pay on demand:

(i) all reasonable title, appraisal, survey, audit, consulting, search, recording, filing and similar costs, fees and expenses incurred or sustained by the Collateral Agent in connection with this Agreement or the Collateral; and

(ii) all reasonable costs and expenses of the Collateral Agent, and the reasonable fees and disbursements of one counsel to the Collateral Agent, in connection with the enforcement or attempted enforcement of, and preservation of any rights or interests under, this Agreement and the Notes, including in any out-of-court workout or other refinancing or restructuring or in any bankruptcy case, and the protection, sale or collection of, or other realization upon, any of the Collateral, including all expenses of taking, collecting, holding, sorting, handling, preparing for sale, selling, or the like, and other such expenses of sales and collections of Collateral, in addition to, and not limited by, this subsection (a).

(b) Any amounts payable to the Collateral Agent under this Section 12 or otherwise under this Agreement if not paid upon demand shall bear interest from the date of such demand until paid in full, at the rate of interest set forth in the Note.

13. Binding Effect. This Agreement shall be binding upon, inure to the benefit of and be enforceable by Debtor, the Collateral Agent and its respective successors and assigns and shall bind any Person who becomes bound as a debtor to this Agreement. Debtor may not assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder without the prior express written consent of the Collateral Agent. Any such purported assignment, transfer, hypothecation or other conveyance by Debtor without the prior express written consent of the Collateral Agent shall be void. Debtor acknowledges and agrees that in connection with an assignment of, or grant of a participation in, the Obligations the Collateral Agent may assign, or grant participations in, all or a portion of its rights and obligations hereunder. Upon any assignment of the Collateral Agent's rights hereunder, such assignee shall have, to the extent of such assignment, all rights of the Collateral Agent hereunder. Debtor agrees that, upon any such assignment, such assignee may enforce directly, without joinder of the Collateral Agent, the rights of the Collateral Agent set forth in this Agreement. Any such assignee shall be entitled to enforce the Collateral Agent's rights and remedies under this Agreement to the same extent as if it were the original Collateral Agent named herein.

14. Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of California, except as required by mandatory provisions of law and to the extent the validity or perfection of the security interests hereunder, or the remedies hereunder, in respect of any Collateral are governed by the law of a jurisdiction other than California.

15. Entire Agreement Amendment. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and shall not be amended except by the written agreement of the parties.

16. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of this Agreement shall be prohibited by or invalid under any such law or regulation in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of this Agreement, or the validity or effectiveness of such provision in any other jurisdiction.

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

18. Termination. Upon payment and performance in full of all Obligations, or upon conversion of the Notes, the security interest created under this Agreement shall terminate and the Collateral Agent shall promptly execute and deliver to Debtor such documents and instruments reasonably requested by Debtor as shall be necessary to evidence termination of all security interests given by Debtor to the Collateral Agent hereunder.

19. Joint and Several Liability. If Debtor consists of more than one Person, the liability of each Person comprising Debtor shall be joint and several, and each reference herein to "Debtor" shall mean and be a reference to each such Person comprising Debtor. Debtors agree that any and all of their obligations hereunder shall be the joint and several responsibility of each of them notwithstanding any absence herein of a reference such as "jointly and severally" with respect to any such obligation. The compromise of any claim with, or the release of, any Debtor shall not constitute a compromise with, or a release of, any other Debtor.

20. Conflicts. In the event of any conflict or inconsistency between this Agreement, the Notes or the Purchase Agreement, the terms of this Agreement shall control.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, as of the date first above written.

Viadux, Inc., a California corporation

AMPERSAND 2001 LIMITED PARTNERSHIP

By: AMP-01 Management Company Limited Liability Company, its General Partner

By:

Vicki L. Marion

Name:

Vicki L. Marion

Its:

President & CEO

Address:

9890 Towne Centre Dr. #200

San Diego, CA 92121

By

Name:

David J. Parker

Its:

Managing Member

AMPERSAND 2001 COMPANION FUND LIMITED PARTNERSHIP

By: AMP-01 Management Company Limited Liability Company, its General Partner

By

David J. Parker

Managing Member

"Edgewater"

EDGEWATER PRIVATE EQUITY FUND III

By

Name:

Its:

Address:

[SIGNATURE PAGE TO VIADUX SECURITY AGREEMENT]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, as of the date first above written.

Viadux, Inc., a California corporation

AMPERSAND 2001 LIMITED
PARTNERSHIP

By: AMP-01 Management Company
Limited Liability Company,
its General Partner

By: _____
Name: _____
Its: _____
Address: _____

By: David J. Parker
Name: David J. Parker
Its: Managing Member

AMPERSAND 2001 COMPANION FUND
LIMITED PARTNERSHIP

By: AMP-01 Management Company
Limited Liability Company,
its General Partner

By: David J. Parker
David J. Parker
Managing Member

"Edgewater"

EDGEWATER PRIVATE EQUITY FUND III

By: _____
Name: _____
Its: _____
Address: _____

[SIGNATURE PAGE TO VIADUX
SECURITY AGREEMENT]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, as of the date first above written.

Viadux, Inc., a California corporation

AMPERSAND 2001 LIMITED
PARTNERSHIP

By: AMP-01 Management Company
Limited Liability Company,
its General Partner

By: _____
Name: _____
Its: _____
Address: _____

By: _____
Name: David J. Parker
Its: Managing Member

AMPERSAND 2001 COMPANION FUND
LIMITED PARTNERSHIP

By: AMP-01 Management Company
Limited Liability Company,
its General Partner

By: _____
David J. Parker
Managing Member

"Edgewater"

EDGEWATER PRIVATE EQUITY FUND III

By: Robert G. Dillson
Name: ROBERT G. DILLSON
Its: GENERAL PARTNER
Address: 1900 Main Street #175
Denver, CO 80202

[SIGNATURE PAGE TO VIADUX
SECURITY AGREEMENT]

SCHEDULE 1
to the Security Agreement

1. Jurisdiction of Organization

California

2. Chief Executive Office and Principal Place of Business

9890 Towne Centre Drive, Suite 200
San Diego, CA 92121
858.450.3370

3. Other locations where Debtor conducts business or Collateral is kept

Varian Electronics Manufacturing
13550 Stowe Drive
Poway, CA 92064
858.486.4500

4. Deposit Accounts and Security Accounts

Silicon Valley Bank
4445 Eastgate Mall, Suite 110
San Diego, CA 92121
858.784.3300

SCHEDULE 2
to the Security Agreement

1. Patents and Patent Applications

U.S. Patent Application No. 09/098,139

Filed: June 16, 1998

Title: LINE INTERFACE AND METHOD FOR DETECTING AND
ELIMINATING AN IMPEDANCE MISMATCH BETWEEN A
TRANSCIVER AND A TRANSMISSION LINE

U.S. Patent Application No. 09/143,709

Filed: August 28, 1998

Title: ADJUSTABLE BALANCING CIRCUIT FOR AN ADAPTIVE HYBRID
AND METHOD OF ADJUSTING THE SAME

WIPO Patent No. PCT/US99/12924

Filed: June 8, 1999

Title: LINE INTERFACE AND METHOD FOR DETECTING AND
ELIMINATING AN IMPEDANCE MISMATCH BETWEEN A
TRANSCIVER AND A TRANSMISSION LINE

U.S. Patent Application No. 09/425,472

Filed: October 22, 1999

Title: METHOD AND SYSTEM FOR COMBINING SYMMETRIC DSL
SIGNALS AND VOICE SIGNALS

U.S. Patent Application No. 09/624,458

Filed: July 24, 2000

Title: METHOD AND APPARATUS FOR EXTENDING A REACH OF A
TRANSMISSION CABLE

U.S. Patent Application No. 09/648,383

Filed: August 25, 2000

Title: METHOD AND APPARATUS FOR LOW-VOLTAGE SUBSCRIBER
LOOP INTERFACE

U.S. Patent Application No. 09/708,269

Filed: November 7, 2000

Title: METHOD AND SYSTEM FOR CONTROLLING PACKET
TRANSMISSIONS IN A NETWORK IN TWO-WAY COMMUNICATIONS

U.S. Patent Application No. 09/708,403

Filed: November 8, 2000

Title: METHOD AND CIRCUIT FOR ECHO-CANCELLATION IN TWO-
WAY COMMUNICATIONS

U.S. Patent Application No. 09/708,771

Filed: November 8, 2000

Title: CIRCUIT AND ECHO CANCELLATION IN AN ASYMMETRIC
TWO-WAY TIME-AND FREQUENCY-SHARED COMMUNICATION
MEDIUM.

2. Copyrights (Registered and Unregistered) and Copyright Applications

No known copyright applications.

3. Trademarks, Service Marks and Trade Names and Trademark, Service Mark and
Trade Name Applications

U.S. Trademark Application No. 75/758,606

Filed: July 23, 1999

Title: ANYPAIR

Status: Registered

European Trademark Application #1408152

Filed: December 2, 1999

Title: ANYPAIR

Status: Registered

U.S. Trademark Application No. 75/504,584

Filed: June 18, 1998

Title: LONGREACH

Status: Registered

European Trademark Application #1408202

Filed: December 2, 1999

Title: LONGREACH

Status: Registered

U.S. Trademark Application No. 75/776,864

Filed: August 15, 1999

Title: RC NETWORK, INC.

Status: Registered

European Trademark Application #1407774

Filed: December 2, 1999

Title: RC NETWORK, INC.

Status: Registered

U.S. Trademark Application No. 75/777,118
Filed: August 16, 1999
Title: RC 8000
Status: Registered

European Trademark Application #1407022
Filed: December 2, 1999
Title: RC 8000
Status: Registered

U.S. Trademark Application No. 76/404,366
Filed: May 7, 2002
Title: VLADUX
Status: Pending