

10-03-2001



FORM PTO-1594
(Rev 5-93)

101863397

U.S. DEPARTMENT OF COMMERCE
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):

RC NETWORKS

10-3-01

Individual(s) citizenship:

Association:

General Partnership:

Limited Partnership:

Corporation - State: CALIFORNIA

Other:

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

3. Nature of Conveyance:

- [] Assignment [] Merger
- [X] Security Agreement [] Change of Name
- [] Other

Execution Date: September 4, 2001

2. Name and address of receiving party(ies):

Name: AMPERSAND SPECIALTY MATERIALS AND
CHEMICALS III LIMITED PARTNERSHIP

Address: 55 WILLIAM STREET, SUITE 240

City: WELLESLEY State: MA Zip: 02481

Individual(s) citizenship:

Association:

General Partnership:

Limited Partnership:

Corporation - State:

Other:

If assignee is not domiciled in the United States, a domestic representative designation is attached: [] Yes [] No

(Designations must be a separate document from assignment)

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

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

A. Trademark Application No.(s)

75/504,584

75/517,784

75/758,606

75/776,865

75/777,118

75/776,864

Trademark Registration No.(s)

Additional numbers attached? [] Yes [X] No

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

Name: Erin O'Brien
Internal Address: GRAY CARY WARE & FREIDENRICH
4365 Executive Drive, Suite 1100
San Diego, CA 92121-2123

6. Total number of applications and registrations involved: 6

7. Total fee (37 CFR 3.41) \$165.00

[x] Enclosed

[] Authorized to be charged to deposit account

8. Deposit account number:

(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature.

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.

Erin O'Brien

October 2, 2001

Name of Person Signing

Signature

Date

Total number of pages comprising cover sheet: [9]

Mail Documents to be recorded with required cover sheet information to:

U.S. Patent and Trademark Office, Office of Public Records

1213 Jefferson Davis Highway, 3rd Floor

Arlington, VA 22202

10/03/2001 DBYRME 00000160 75504584

01 FC:481
02 FC:482

40.00 OF
125.00 OF

SECURITY AGREEMENT

This Security Agreement (this "Agreement") is made and entered into as of September 4, 2001 by and between RC Networks, a California corporation ("Grantor") and Ampersand Specialty Materials and Chemicals III Limited Partnership ("Lender").

RECITALS

Lender proposes to enter into a transaction with Grantor as borrower, pursuant to a Secured Demand Promissory Note of even date herewith (the "Note"). Grantor wishes to secure performance and payment of all obligations under the Note with substantially all of its assets.

NOW, THEREFORE, Grantor and Lender agree as follows:

1. Grant of Security Interest. To secure all of Grantor's obligations under the Note, as amended from time to time, Grantor grants to Lender a security interest in the property described in Exhibit A hereto (the "Collateral"). Notwithstanding anything herein to the contrary, in no event shall the Collateral include, and the Grantor shall not be deemed to have granted a security interest in any of the Grantor's rights or interests in any lease, license, contract, permit or agreement (including, without limitation, any such agreement which shall grant a security interest in the assets of the Grantor) to which the Grantor is a party or any of its rights or interests thereunder to the extent, but only to the extent, that such a grant would, under the terms of such lease, license, contract, permit or agreement or otherwise, result in a breach of the terms of, or constitute a default under, or cause a termination of, such lease, license, contract, permit or agreement to which the Grantor is a party (other than to the extent that the other party to such lease, license, contract, permit or agreement has consented to such grant or to the extent that any such term would be rendered ineffective pursuant to the Uniform Commercial Code, as amended and in effect from time to time (the "UCC"), or any other applicable law (including the U.S. Bankruptcy Code) or principles of equity), provided, that (x) the foregoing grant of security interest shall extend to, and the Collateral shall include, any and all proceeds of any such lease, license, contract, permit or agreement to the extent that the assignment or encumbering of such proceeds is not so restricted and is permitted by applicable law and (y) immediately upon the ineffectiveness, lapse, waiver or termination of any such provision or restriction, the Collateral shall include, and the Grantor shall be deemed to have granted a security interest in, all such rights and interests as if such provision or restriction had never been in effect.

2. Grantor's Representations and Warranties. Grantor represents, warrants, and covenants as follows:

(a) Authorization. Grantor has authority and has obtained all approvals and consents necessary to enter into this Agreement, and Grantor's execution, delivery and performance of this Agreement will not violate or conflict with the terms of Grantor's Articles of Incorporation or Bylaws or any statute, regulation, ordinance, rule of law, agreement, contract, mortgage, indenture, bond, bill, note, or other instrument or writing binding upon Grantor or to which Grantor is subject.

(b) Title. Except for the security interest created pursuant to this Agreement, the Collateral is owned by Grantor free of all liens, encumbrances and other security interests.

3. Covenants.

(a) Encumbrances. Grantor shall not grant a security interest in any of the Collateral other than to Lender and Edgewater Private Equity Fund III, L.P., a Delaware limited partnership (together with Lender, the "Lenders") or execute any financing statements covering any of the Collateral in favor of any person other than the Lenders without the Lenders' prior written consent. The Lenders have entered into that certain Intercreditor Agreement, dated as of the date hereof, (the "Intercreditor Agreement") setting forth the respective rights between the Lenders.

(b) Use of Collateral. The Grantor will not sell or otherwise dispose of any of the Collateral or any interest in the Collateral. The Collateral will not be used for any unlawful purpose or in any way that will void any insurance required to be carried in connection therewith. Grantor will keep the Collateral free and clear of liens and adverse claims and, as appropriate and applicable, will keep it in good condition and repair, and will clean, shelter, and otherwise care for the Collateral in all such ways as are considered good practice by owners of like property.

(c) Insurance of Collateral.

(i) Grantor, at its expense, shall keep the Collateral insured against loss or damage by fire, theft, explosion, sprinklers, and all other hazards and risks, and in such amounts, as ordinarily insured against by other owners in similar businesses conducted in the locations where Grantor's business is conducted on the date hereof. Grantor shall also maintain insurance relating to Grantor's ownership and use of the Collateral in amounts and of a type that are customary to businesses similar to Grantor's.

(ii) All such policies of insurance shall be in such form, with such companies, and in such amounts as reasonably satisfactory to Lender. All such policies of property insurance shall contain a lender's loss payable endorsement, in a form satisfactory to Lender, showing Lender as an additional loss payee thereof and all liability insurance policies shall show the Lender as an additional insured, and shall specify that the insurer must give at least twenty (20) days notice to Lender before canceling its policy for any reason. Upon Lender's request, Grantor shall deliver to Lender certified copies of such policies of insurance and evidence of the payments of all premiums therefor.

(d) Perfection of Security Interest. Grantor shall execute and deliver such documents as Lender reasonably deems necessary to create, perfect and continue the security interest in the Collateral contemplated hereby.

(e) Records. Grantor shall prepare and keep, in accordance with generally accepted accounting principles consistently applied, complete and accurate records regarding the Collateral and, if and when requested by Lender, shall prepare and deliver a complete and accurate schedule of all the Collateral in such detail as Lender may reasonably require.

(f) Fees and Costs. Grantor shall pay all expenses, including reasonable attorneys' fees, incurred by Lender in the preservation, realization, enforcement or exercise of any Lender's rights under this Agreement.

4. Events of Default. The occurrence of any Event of Default under the Note, or the breach of any representation under this Agreement, or the failure to perform any obligation under Section 3 of this Agreement, shall constitute an "Event of Default" under this Agreement.

5. Remedies on Default. Upon the occurrence of an Event of Default, Lender shall have all rights, privileges, powers and remedies provided by law, including, but not limited to, exercise of any or all of the following remedies.

(a) Lender may declare all amounts outstanding under the Note to be immediately due and payable, and thereupon all such amounts shall be and become immediately due and payable to the Lender.

(b) Lender may dispose of the Collateral in accordance with applicable law. If at any time the Lender has the right to dispose of any of the Collateral which is subject to a patent, trademark or copyright which the Company owns or controls through a license or otherwise, the Company grants to the Lender a royalty-free license to use any such patent, trademark or copyright, in addition to the grant of any security interest granted to the Lender in such patent, trademark or copyright to dispose of any such Collateral. Any such royalty-free license shall extend to any person or persons purchasing such Collateral from the Lender.

(c) Lender may use, operate, consume and sell the Collateral in its possession as appropriate for the purpose of performing Grantor's obligations with respect thereto to the extent necessary to satisfy the obligations of Grantor.

(d) All payments received and amounts realized by Lender shall be promptly applied and distributed by the Lender in the following order of priority:

(i) first, to the payment of all costs and expenses, including reasonable legal expenses and attorneys fees, incurred or made hereunder by Lender, including any such costs and expenses of foreclosure or suit, if any, and of any sale or the exercise of any other remedy under this Section 5, and of all taxes, assessments or liens superior to the lien granted under this Agreement; and

(ii) second, to the payment to Lender of the amount then owing under the Note.

6. Power of Attorney. Grantor hereby appoints Lender, its attorney-in-fact to prepare, sign and file or record, for Grantor in Grantor's name, applications for registration and like papers and to take any other action reasonably deemed by Lender necessary or desirable in order to perfect the security interest of the Lender hereunder, to dispose of any Collateral, and to perform any obligations of Grantor hereunder, at Grantor's expense, but without obligation to do so.

7. Remedies Cumulative. Lender's rights and remedies under this Agreement, the Note, and all other agreements shall be cumulative. Lender shall have all other rights and remedies not inconsistent herewith as provided under the California Uniform Commercial Code (the "UCC"), by law, or in equity. No exercise by Lender of one right or remedy shall be deemed an election, and no waiver by Lender of any Event of Default on Borrower's part shall be deemed a continuing waiver. No delay by Lender shall constitute a waiver, election, or acquiescence by it. No waiver by Lender shall be effective unless made in a written document signed on behalf of Lender and then shall be effective only in the specific instance and for the specific purpose for which it was given.

8. Notices. Unless otherwise provided in this Agreement, all notices or demands by any party relating to this Agreement or any other agreement entered into in connection herewith shall be in writing and shall be personally delivered or sent by a recognized overnight delivery service, certified mail, postage prepaid, return receipt requested, or by fax to Borrower or to Lender, as the case may be, at its addresses set forth below:

If to Grantor: RC Networks
6727 Flanders Drive
San Diego, CA 92121
Fax: 858-450-3369

If to Lender: Ampersand Specialty Materials and Chemicals III
Limited Partnership
55 William Street, Suite 240
Wellesley, MA 02481
Fax: 760-632-0284

The parties hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other.

9. Choice of Law and Venue; Jury Trial Waiver.

This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of California, without regard to principles of conflicts of law. Each of Grantor and Lender hereby submits to the non-exclusive jurisdiction of the state and, to the extent it may lawfully do so, Federal courts located in the County of San Diego, State of California. GRANTOR AND LENDER EACH HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. EACH PARTY RECOGNIZES AND AGREES THAT THE FOREGOING WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR IT TO ENTER INTO THIS AGREEMENT. EACH PARTY REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

10. General Provisions.

(a) Successors and Assigns. This Agreement shall bind and inure to the benefit of the respective successors and permitted assigns of each of the parties; provided, however, that neither this Agreement nor any rights hereunder may be assigned by Grantor without Lender's prior written consent. Lender shall have the right without the consent of or notice to Grantor to sell, transfer, negotiate, or grant participation in all or any part of, or any interest in, Lender's obligations, rights and benefits hereunder.

(b) Indemnification. Grantor shall defend, indemnify and hold harmless Lender and its officers, employees, and agents against: (a) all obligations, demands, claims, and liabilities claimed or asserted by any other party in connection with Grantor's failure to comply with the terms of this Agreement; and (b) all losses in any way suffered, incurred, or paid by Lender as a result of or in any way arising out of, following, or consequential to Grantor's failure to comply with the terms of this Agreement (including without limitation reasonable attorneys' fees and expenses), except for losses caused by Lender's gross negligence or willful misconduct.

(c) Time of Essence. Time is of the essence for the performance of all obligations set forth in this Agreement.

(d) Severability of Provisions. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

(e) Amendments in Writing, Integration. This Agreement may be amended or terminated only pursuant to written documents signed by or on behalf of the Grantor and the Lender. All prior agreements, understandings, representations, warranties, and negotiations between the parties hereto with respect to the subject matter of this Agreement, if any, are merged into this Agreement and the Note.

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

(g) Survival. All covenants, representations and warranties made in this Agreement shall continue in full force and effect so long as any obligations under the Note remain outstanding.

11. Judicial Reference.

Grantor (i) hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts located in the County of San Diego, State of California (hereinafter referred to as the "California Courts") for purposes of any suit, action or other proceeding which relates to this Agreement or the Note, (ii) to the extent permitted by applicable law, hereby waives and agrees not to assert by way of motion, as a defense or otherwise in any such suit, action or proceeding, any claim that he/she is not personally subject to the jurisdiction of the California Courts; that such suit, action or proceeding is brought in an inconvenient forum; that the venue of such suit, action or proceeding is improper; or that this Agreement or the Note may not be enforced in or by the California Courts, (iii) hereby agrees not to seek, and hereby waives, any collateral review by any court outside the State of California, which may be called upon to enforce the judgment of any of the California Courts, of the merits of any such suit, action or proceeding or the jurisdiction of the California Courts, and (iv) waives personal service of any and all process upon it and consents that all such service of process by made by certified or registered mail addressed as provided by Section 8 hereof and service so made shall be deemed to be completed upon transmission thereof. Nothing herein shall limit Lender's right to bring any suit, action or other proceeding against Grantor or any of Grantor's assets or to serve process on Grantor by any means authorized by law.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement on the date set forth above.

GRANTOR:

RC NETWORKS

By: 

Name: MICHELLE M. HAYES

Title: CFO

LENDER:

AMPERSAND SPECIALTY MATERIALS AND
CHEMICALS III LIMITED PARTNERSHIP

By: _____

Name: _____

Title: _____

IN WITNESS WHEREOF, the parties have executed this Agreement on the date set forth above.

GRANTOR:

RC NETWORKS

By: _____

Name: _____

Title: _____

LENDER:

AMPERSAND SPECIALTY MATERIALS AND
CHEMICALS III LIMITED PARTNERSHIP

BY: ASMC-III Management Company L.P.

By: ASMC-III MCLP LLP, its general partner

Name: _____

Richard A. Charpie

Title: Managing General Partner

Exhibit A

The Collateral shall consist of all right, title and interest of Grantor in and to the following, now owned or hereafter acquired:

(a) all tangible personal property, including without limitation all present and future goods, inventory (including, without limitation, all merchandise, raw materials, work in process, finished goods and supplies), machinery, equipment, tools, furniture, office supplies, computers, computer software and associated equipment, whether now owned or hereafter acquired, together with any and all additions thereto and replacements therefore and proceeds and products thereof (collectively referred to for the purpose of the Security Agreement as the "Collateral"), including, without limitation, all tangible personal property used in the operation of the business of the Grantor;

(b) all rights under all present and future authorizations, permits, licenses and franchises issued, granted or licensed to the Grantor for the operation of its business;

(c) all patents issued or assigned to and all patent applications made by the Grantor and all exclusive and nonexclusive licenses to the Grantor from third parties or rights to use patents owned by such third parties, along with any and all (i) inventions and improvements described and claimed therein, (ii) reissues, divisions, continuations, extensions and continuations-in-part thereof, (iii) income, royalties, damages, claims and payments now and hereafter due and/or payable under and with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, (iv) rights to sue for past, present and future infringements thereof, and (v) any other rights corresponding thereto throughout the world (collectively, "Patents");

(d) all trademarks (including service marks), federal and state trademark registrations and applications made by the Grantor (other than Federal Intent to Use Applications prior to the filing of a verified Statement of Use under 15 U.S.C. §1051(d)), common law trademarks and trade names owned by or assigned to the Grantor, all registrations and applications for the foregoing and all exclusive and nonexclusive licenses from third parties of the right to use trademarks of such third parties, along with any and all (i) renewals thereof, (ii) income, royalties, damages and payments now and hereafter due and/or payable with respect thereto, including, without limitation, damages, claims and payments for past or future infringements thereof, (iii) rights to sue for past, present and future infringements thereof, and (iv) foreign trademarks, trademark registrations, and trade name applications for any thereof and any other rights corresponding thereto throughout the world (collectively, "Trademarks");

(e) all copyrights, whether statutory or common law, owned by or assigned to the Grantor, and all exclusive and nonexclusive licenses (other than nonexclusive licenses to use off-the-shelf software products) to the Grantor from third parties or rights to use copyrights owned by such third parties, along with any and all (i) renewals and extensions thereof, (ii) income, royalties, damages, claims and payments now and hereafter due and/or payable with respect thereto, including, without limitation, damages and payments for past, present or future infringements thereof, (iii) rights to sue for past, present and future infringements thereof, and (iv) foreign copyrights and any other rights corresponding thereto throughout the world (collectively, "Copyrights");

(f) the entire goodwill of the Grantor's business and other general intangibles (including know-how, trade secrets, customer lists, proprietary information, inventions, domain names, methods, procedures and formulae) connected with the use of and symbolized by any Patents, Trademarks or Copyrights (together with the Patents, Trademarks and Copyrights, the "Intellectual Property");

- (g) all rights under all present and future customer or collaboration contracts and agreements;
- (h) all rights under all present and future leases of real and personal property; and
- (i) all other personal property, including, without limitation, all present and future accounts, accounts receivable, cash, cash equivalents, deposits, deposit accounts, loss carry back, tax refunds, insurance proceeds, premiums, rebates and refunds, investment property, securities, contracts, contract rights, general intangibles (including without limitation, all customer and advertiser mailing lists, intellectual property, patents, copyrights, trademarks, trade secrets, trade names, domain names, goodwill, customer lists, advertiser lists, catalogs and other printed materials, publications, indexes, lists, data and other documents and papers relating thereto, blueprints, designs, charts, and research and development, whether on paper, recorded electronically or otherwise), all websites (including without limitation, all content, HTML documents, audiovisual material, software, data, hardware, access lines, connections, copyrights, trademarks, patents and trade secrets relating to such websites) and domain names, any information stored on any medium, including electronic medium, related to any of the personal property of the Grantor, all financial books and records and other books and records relating, in any manner, to the business of the Grantor, all proposals and cost estimates and rights to performance, all instruments and promissory notes, documents and chattel paper, and all debts, obligations and liabilities in whatever form owing to the Grantor from any person, firm or corporation or any other legal entity, whether now existing or hereafter arising, now or hereafter received by or belonging or owing to the Grantor; and all guaranties and security therefor, and all letter of credit and other supporting obligations in respect of such debts, obligations and liabilities.

GRANTOR: RC NETWORKS, INC.

RECEIVING PARTY: AMPERSAND SPECIALTY
MATERIALS AND CHEMICALS III LIMITED PARTNERSHIP

ENCLOSED:

SECURITY AGREEMENT

TRADEMARK RECORDATION COVER SHEET

FILE: 102998-151910

DATE: 10/02/01