

12-03-2001



FORM PTO-1594 (modified)  
(Rev. 03/01)  
OMB No. 0651-0027 (exp. 5/31/2002)

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IEET

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

11-7801

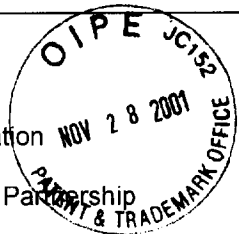
To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

NexTone Communications, Inc.

- Individual(s)
- Association
- General Partnership
- Limited Partnership
- Corporation-State: Delaware
- Other: \_\_\_\_\_

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



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

Name: RSSJ Associates, LLC

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

Street Address: 1173 Dolly Madison Drive

City: McLean State: VA ZIP: 22101

- Individual(s) citizenship: \_\_\_\_\_
- Association \_\_\_\_\_
- General Partnership of: \_\_\_\_\_
- Limited Partnership of: \_\_\_\_\_
- Corporation-State: \_\_\_\_\_
- Other: Limited Liability Company of Virginia

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  No

3. Nature of conveyance:

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

Execution Date: October 19, 2001

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

A. Trademark Application No.(s)

75/651,024

B. Trademark Registration No.(s)

410E

Additional numbers attached  Yes  No

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

Name: Adam D. Resnick, Esq.

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

PIPER MARBURY RUDNICK & WOLFE LLP

Street Address: 1200 Nineteenth Street, NW

City: Washington State: DC ZIP: 20036

6. Total number of applications and registrations involved: \_\_\_\_\_

1

7. Total fee (37 C.F.R. § 3.41).....\$ 40.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

501150

(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.

Adam D. Resnick, Esq.  
Name of Person Signing

[Signature]  
Signature

11/28/01  
Date

Total no. of pages incl. cover sheets, attachments, and document: 30

11/30/2001 LMUELLER 00000063 75651024  
01 FC:481 40.00 DP  
Main documents to be recorded with required cover sheet information to:  
Commissioner of Patents & Trademarks, Box Assignments  
Washington, D.C. 20231

TRADEMARK  
REEL: 002401 FRAME: 0054

**SECURITY AGREEMENT**

This Security Agreement (this "**Agreement**") is entered into as of October 19, 2001, by and between the parties listed on Schedule I hereto (each, individually, a "**Secured Party**" and collectively, the "**Secured Parties**"), and NexTone Communications, Inc., a Delaware corporation ("**Debtor**").

WHEREAS, the Secured Parties committed to loan to Debtor no less than \$700,000 and no more than \$1,000,000 (the "**Loan**"), pursuant to that certain Bridge Loan Agreement between the parties hereto dated as of the date hereof (the "**Bridge Loan Agreement**") and as evidenced by each of the promissory notes issued pursuant to the Bridge Loan Agreement as of the date hereof by Debtor to the Secured Parties (collectively, the "**Notes**");

WHEREAS, as a condition to making the Loan, Debtor has agreed to grant to the Secured Parties a security interest in certain Collateral (as herein defined) to secure the obligations of Debtor under the Notes; and

WHEREAS, the parties hereto desire to set forth their agreements and understandings herein.

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and intending to be legally bound, as collateral security for the prompt and complete payment when due of its obligations under the Notes, Debtor hereby represents, warrants, covenants and agrees as follows:

1. **Definitions.** As used in this Agreement, the following terms shall have the following definitions:

"**Collateral**" has the meaning given to it in Section 2 of this Agreement and the Intellectual Property Collateral.

"**Copyrights**" means any and all copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret, now or hereafter existing, created, acquired or held.

"**Intellectual Property Collateral**" means all of Debtor's right, title, and interest in and to the following:

(a) Copyrights, Trademarks and Patents;

(b) Any and all trade secrets, inventions, mask works, programs, works of authorship, know-how, discoveries, developments, designs, design rights and techniques and any and all intellectual property rights in computer software and computer software products now or hereafter existing, created, acquired or held;

(c) Any and all claims for damages by way of past, present and future infringement of any of the rights included in (a) or (b) above, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of such intellectual property rights;

(d) All licenses or other rights to use any of the Copyrights, Patents or Trademarks, and all license fees and royalties arising from such use to the extent permitted by such license or rights;

(e) All amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents;

(f) All documents, models, samples, specimens, reports, drawings, research materials, notes and other materials in connection with or which in any way embody or relate to any Patent or patentable matter and the right to pursue, prepare, file and prosecute any Patent application(s) in connection therewith;

(g) All proceeds and products of the foregoing, including without limitation all payments under insurance or any indemnity or warranty payable in respect of any of the foregoing.

**“Patents”** means all patents, patent applications, all types of exclusionary or protective rights granted (or applications therefor) or inventions and like protections (including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same) and any and all patentable subject matter (including, without limitation, methods of doing business, machines, articles of manufacture, processes, compositions of matter and new uses or improvements of any of the foregoing, asexually reproduced plants and ornamental designs for an article of manufacture).

**“Trademarks”** means any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Debtor connected with and symbolized by such trademarks.

2. Grant of Security Interest. As collateral security for all of Debtor's obligations and liabilities to Secured Parties, Debtor hereby pledges to, mortgages, assigns, transfers, sets over and grants to Secured Parties, a continuing general lien on and security interest in all of Debtor's right, title and interest in and to all tangible and intangible property of Debtor, whether now owned or hereafter acquired, including, but not limited to, Debtor's interest now and in the future in the following types or items of property (collectively being referred to herein as the "*Collateral*"):

(a) All presently owned and hereafter acquired accounts, accounts receivable, contract rights, bills, acceptances, and other forms of obligations arising out of the sale, lease or consignment of goods or the rendition of services by Debtor; together with any property evidencing or relating to the accounts (such as guaranties, credit insurance, letters of credit), any security for the accounts, all books and records relating thereto, and all proceeds of any of the foregoing, including returned or reclaimed inventory.

(b) All presently owned and hereafter acquired inventory of every nature, kind, and description, wherever located, including, without limitation, raw materials, goods, work in process, finished goods, parts or supplies; all goods and property held for sale or lease or to be furnished under contracts of service; and all goods and inventory returned, reclaimed or repossessed, together with all proceeds of any of the foregoing.

(c) All presently owned and hereafter acquired equipment, whether or not affixed to realty, including, without limitation, trucks, trailers, motors, tools, dies, parts, jigs, goods, accessories, handling and delivery equipment, fixtures, improvements, office machines and furniture, together with all proceeds of any of the foregoing, and all accessions, accessories, replacements and the rights of Debtor under any manufacturer's warranties relating to the foregoing.

(d) All presently owned and hereafter acquired chattel paper, including, but not limited to, any writing or writings which evidence both a monetary obligation and a security interest in or a lease of specific goods, together with all proceeds of any of the foregoing.

(e) All presently owned and hereafter acquired intellectual property and other general intangibles, including, without limitation, any personal property, choses in action, causes of action, designs, plans, goodwill, tax refunds, licenses, franchises, trademarks, trademark applications, trade names, service marks, copyrights, copyright applications, customer lists, patents, patent applications and specifically including Debtor's software, in both object code and source code form, and all rights under license agreements for use of the same, together with all proceeds of any of the foregoing.

(f) All presently owned and hereafter acquired instruments, including, without limitation, bills of exchange, notes, and all negotiable instruments, all certificated securities, all certificates of deposit and any other writing which evidences a right to the payment of money and is not itself a security agreement or lease and is of a type which is in the ordinary course of business transferred by delivery with any necessary endorsement or assignment, together with all proceeds of any of the foregoing.

(g) All presently owned and hereafter acquired documents, including, but not limited to, documents of title (as that term is defined in the Uniform Commercial Code) and any and all receipts, including, but not limited to, receipts of the kind described in Article 7 of the Uniform Commercial Code, together with all proceeds of any of the foregoing.

(h) All presently owned and hereafter acquired letters of credit, including, but not limited to, any written undertaking to pay money conditioned upon presentation of specified documents, and advices of letters of credit, together with all proceeds of any of the foregoing.

(i) All presently owned and hereafter acquired proceeds, as that term is defined in the Uniform Commercial Code, including, without limitation, whatever is received upon the use, lease, sale, exchange, collection, any other utilization or any disposition of any of the Collateral described in this Section 2, whether cash or non-cash, all rental or lease payments, accounts, chattel paper, instruments, documents, contract rights, general intangibles, equipment, inventory, substitutions, additions, accessions, replacements, products, and renewals of, for, or to such property and all insurance therefor.

(j) Concurrently with the execution hereof, Debtor shall execute and deliver to Secured Parties an Intellectual Property Security Grant in form and substance satisfactory to the Secured Parties, together with such documents and instruments as are reasonably requested by Secured Parties, in form satisfactory to Secured Parties, evidencing Secured Parties' security interest in such of the Collateral as comprises intellectual property, for filing with the United States Patent and Trademark Office in order to properly perfect Secured Parties' security interest therein.

(k) At any time and from time to time, upon written request of Secured Parties, Debtor will, at Debtor's expense: (i) immediately deliver and pledge to Secured Parties, properly endorsed to Secured Parties and/or accompanied by such instruments of assignment and transfer in such form and substance as Secured Parties may request, any and all instruments, documents, and/or chattel paper as Secured Parties may specify in its demand; (ii) give, execute, deliver, file, and/or record any notice, statement, instrument, document, agreement, or other papers that may be necessary or desirable, or that Secured Parties may request, in order to create, preserve, perfect, or validate any security interest granted pursuant hereto or intended to be granted hereunder or to enable Secured Parties to exercise or enforce its rights hereunder or with respect to such security interest; (iii) keep, stamp, or otherwise mark any and all documents, instruments, chattel paper, and its books and records relating to the Collateral in such manner as Secured Parties may require; and/or (iv) upon reasonable prior notice, permit representatives and agents of Secured Parties access to its premises at any reasonable time requested by Secured Parties to inspect the Collateral and the books and records and to audit and make abstracts from the books and records.

(l) All Copyrights, Patents and Trademarks listed on Exhibits A, B and C attached hereto, including without limitation, all proceeds thereof (such as, by way of example but not by way of limitation, license royalties and proceeds of infringement suits) and, with respect to the Intellectual Property Collateral, the right to sue for past, present and future infringements, all rights corresponding thereto throughout the world and all re-issues, divisions, continuations, renewals, extensions and continuations-in-part thereof.

Simultaneously with the execution of this Agreement, Debtor shall deliver to Secured Parties UCC-1 Financing Statements covering all of the Collateral as described in this Section 2 (the "UCC-1s"). Debtor hereby consents to the Secured Parties filing each of the UCC-1s in the appropriate states and counties, and Debtor agrees to promptly file such UCC-1s on the Secured Parties behalf. The security interest granted herein constitutes a valid, first priority security interest in the presently existing Collateral, and will constitute a valid, first priority security interest in Collateral acquired or created after the date hereof. Debtor shall from time to time execute and deliver to the Secured Parties, at the request

of the Secured Parties, all financing statements and other documents that Secured Parties may reasonably request, in form satisfactory to Secured Parties, to perfect and continue perfected Secured Parties' security interests in the Collateral.

3. Representations, Warranties and Covenants. Debtor represents, warrants and covenants to the Secured Parties as follows:

(a) Exhibits A, B and C attached hereto set forth any and all intellectual property rights which Debtor has registered, or filed an application with, either the United States Patent and Trademark Office or the United States Copyright Office, as applicable.

(b) The execution, delivery, and performance of this Agreement is within Debtor's powers, have been duly authorized, and are not in conflict with nor constitute a breach of any provision contained in Debtor's Articles of Incorporation or Bylaws, nor will they constitute an event of default under any material agreement to which Debtor is a party or by which Debtor is or its assets are bound.

(c) Debtor is the sole owner and has good and marketable title to the Collateral, free and clear of any mortgages, liens, deeds of trust, charges, pledges, security interests, options, licenses, assignments or other encumbrances (the "Liens"), except those previously granted pursuant to lease financing agreements. No part of the Collateral has been judged invalid or unenforceable, in whole or in part, and no claim has been made that any part of the Collateral violates the rights of any third party. Debtor is not a party to, or bound by, any agreement that restricts the grant by Debtor of a security interest in Debtor's rights under this Agreement.

(d) There are no actions or proceedings instituted or pending or, to the Debtor's knowledge, threatened against Debtor that challenge Debtor's ownership status or rights in any Collateral or Debtor's right to use or otherwise exploit the Intellectual Property Collateral. No holding, decision or judgment has been rendered by any federal, state, local or foreign governmental authority which would limit, cancel or question the validity of any Debtor's ownership in any of the Intellectual Property Collateral. To the Debtor's knowledge, no third party is infringing or violating Debtor's rights in or to any of the Intellectual Property Collateral or exceeding the scope of authorization or license of any of the Intellectual Property Collateral.

(e) Until payment in full of the Notes, Debtor covenants and agrees that:

(i) Upon request, Debtor shall promptly notify the Secured Parties in writing of any applications or registrations that Debtor has made or filed in respect of any Patents, Copyrights or Trademarks and the status of any outstanding applications or registrations, as well as any material change in Debtor's intellectual property, including but not limited to any subsequent ownership right of Debtor in or to any Trademark, Patent or Copyright not specified in Exhibits A, B and C attached hereto.

(ii) Debtor shall register or cause to be registered on an expedited basis (to the extent not already registered) with the United States Patent and Trademark Office or the United States Copyright Office, as applicable: (i) those intellectual property rights listed on Exhibits A, B and C attached hereto, (ii) all registerable intellectual property rights Debtor has developed as of the date of this Agreement but heretofore failed to register and (iii) those additional intellectual property rights developed or acquired by Debtor from time to time in connection with any product or service, prior to the sale or licensing of such product or the rendering of such service to any third party, and prior to Debtor's use of such product (including without limitation major revisions or additions to the intellectual property

rights listed on Exhibits A, B and C attached hereto). Debtor shall give the Secured Parties written notice of all such applications or registrations.

(iii) Debtor shall not license, convey, sell, lease, transfer or otherwise dispose of any of the Collateral or create, incur, assume or suffer to exist any Lien with respect to any of the Collateral.

(iv) Debtor shall execute and deliver such additional instruments and documents from time to time as the Secured Parties shall reasonably request to perfect Secured Parties' security interest in the Collateral.

(v) Debtor shall (A) protect, defend and maintain the validity and enforceability of the Trademarks, Patents and Copyrights, (B) use its best efforts to detect infringements of the Trademarks, Patents and Copyrights and promptly advise the Secured Parties in writing of material infringements detected and (C) not allow any Trademarks, Patents or Copyrights to be abandoned, forfeited or dedicated to the public without the written consent of the Secured Parties, which shall not be unreasonably withheld.

(f) Unless it shall give Secured Parties at least 30 days prior written notice thereof, the Debtor will not (i) change its name, identity or organizational structure to such an extent that any financing statement filed by the Secured Parties in connection with this Agreement would become seriously misleading or (ii) change the state of its incorporation.

4. Covenants. Debtor hereby covenants and agrees that for as long as any Notes are outstanding:

(a) Debtor shall defend the Collateral against all claims and demands of all persons or entities at any time claiming any interest therein other than Secured Parties.

(b) Debtor shall provide Secured Parties with prompt written notice of any intended change in the chief executive office or residence of Debtor, and/or the office where Debtor maintains its books and records; all such notices to be received by Secured Parties at least 30 days prior to the effective date of any such change. If any such new location as set forth in the previous sentence is on leased or mortgaged premises, Debtor will furnish Secured Parties, prior to the effective date of any such change, with landlord's or mortgagee's waivers pertaining to such premises in form and substance satisfactory to Secured Parties in its sole discretion.

(c) Debtor shall promptly pay any and all taxes, assessments, and/or governmental charges upon the Collateral on the dates such taxes, assessments, and/or governmental charges are due and payable, except to the extent that such taxes, assessments, and/or charges are contested in good faith by Debtor by appropriate proceedings and for which Debtor is maintaining adequate reserves. Upon request of Secured Parties, Debtor shall deliver to Secured Parties such receipts and other proofs of payment as Secured Parties may request.

(d) Immediately upon receipt of any instrument, chattel paper, and/or document of title (including bills of lading and warehouse receipts), Debtor shall deliver such Collateral to Secured Parties and shall execute any form of assignment or endorsement requested by Secured Parties with respect thereto.

(e) Debtor shall immediately notify Secured Parties of: (i) any material changes in

its business, property, or financial condition, including, without limitation, any loss of or damage to any Collateral; (ii) the occurrence of an Event of Default (as defined in the Notes) under the Notes; (iii) any seizure of the Collateral or any claims or alleged claims of third parties to the Collateral; and (iv) the institution of any litigation, arbitration, governmental investigation or administrative proceedings against or affecting Debtor or any of the Collateral.

(f) Debtor shall maintain insurance at all times with respect to the Collateral (including all risk extended coverage) against the risks of fire, theft, and such other risks, including, without limitation, liability, errors and omissions, and business interruption, as Secured Parties may require, containing such terms, in such form and amounts, for such periods and written by such companies as are acceptable to Secured Parties in its sole discretion. All such policies of insurance shall name Secured Parties as Secured Parties/loss payee and shall provide for not less than thirty (30) days' prior written notice to Secured Parties of intended cancellation or reduction in coverage. Debtor shall furnish Secured Parties with certificates or other evidence satisfactory to Secured Parties of compliance with the foregoing insurance provisions. Secured Parties shall have the right (but shall be under no obligation) to pay any of the premiums on such insurance and all such payments shall be considered an advance at the rate of interest provided for in the Loan Documents. Debtor expressly authorizes its insurance carriers to pay proceeds of all insurance policies covering all or any part of the Collateral directly to Secured Parties. Notwithstanding the foregoing, all risk extended coverage insurance shall not be required with respect to any part of the Collateral consisting of intellectual property. However, Debtor shall, on a business daily basis, archive in a safe depository, located off its business premises, all software written and/or developed during such business day.

(g) Debtor shall not sell, offer to sell, otherwise assign, or permit the involuntary transfer of, or disposition of the Collateral or any interest therein, without the prior written consent of Secured Parties; provided, however, that unless Secured Parties notifies Debtor otherwise following and during the continuation of an Event of Default, Debtor may sell its inventory in the ordinary course of its business and grant non-exclusive licenses granted by Debtor in the ordinary course of business.

(h) Debtor shall keep the Collateral free from any lien, security interest, or encumbrance except those in favor of Secured, in good order and repair, reasonable wear and tear excepted, and will not waste or destroy the Collateral or any part thereof. If requested by Secured Parties, Debtor shall give notice of Secured Parties' security interests in the Collateral to any third person with whom Debtor has any actual or prospective contractual relationship or other business dealings.

(i) Debtor shall not use the Collateral or any of its property in violation of any law, statute, regulation, or ordinance, including, without limitation, any environmental law.

(j) Debtor shall continue to be in compliance with all applicable laws, statutes, rules, and regulations.

(k) Debtor shall maintain complete and accurate books and records in accordance with generally accepted accounting principles ("**GAAP**") in effect in the United States from time to time, and shall make all necessary entries therein to reflect the costs, values and locations of its inventory and equipment and the transactions giving rise to its accounts and all payments, credits and adjustments thereto. Debtor shall keep Secured Parties fully informed as to the location of all such books and records and shall permit Secured Parties and its authorized agents to have full, complete and unrestricted access thereto at all reasonable times to inspect, audit and make copies of any and all such books and records. Upon submission to Debtor of an invoice therefore, Debtor will reimburse Secured Parties for any and all fees and costs related to any inspection and/or audit by Secured Parties and its authorized agents of the



books and records. Secured Parties' rights hereunder shall be enforceable at law or in equity, and Debtor consents to the entry of judicial orders or injunctions enforcing specific performance of such obligations hereunder.

(l) If any of the accounts arise out of contracts with the United States or any of its departments, agencies, or instrumentalities, Debtor shall immediately notify and identify same to Secured Parties, and shall promptly execute and deliver to Secured Parties an assignment of claims for such accounts in form acceptable to Secured Parties, and shall take all steps deemed necessary or desirable by Secured Parties to protect Secured Parties' interest therein under the Federal Assignment of Claims Act or any similar law or regulation.

(m) With respect to accounts, Debtor shall, upon request, immediately give Secured Parties assignments, in a form acceptable to Secured Parties, of all accounts, all original and other documents evidencing a right to payment of accounts, financial statements, agings, reports, lists of account debtors, copies of purchase orders, invoices, contracts, shipping and delivery receipts, and such other data concerning the accounts as Secured Parties may request. Debtor agrees that Secured Parties and its authorized agents shall at all times have the right to confirm orders and to verify any or all of the accounts in Secured Parties' name, or in any fictitious name used by Secured Parties for verifications.

(n) Debtor agrees to cooperate and join, at its expense, with Secured Parties in taking such steps as are necessary, in Secured Parties' judgment, to perfect or continue the perfected status of the security interests granted herein, including, without limitation, the execution and delivery of any financing statements, amendments thereto and continuation statements, the delivery of chattel paper, Documents or instruments to Secured Parties, the obtaining of landlords' and mortgagees' waivers required by Secured Parties, the notation of encumbrances in favor of Secured Parties on certificates of title, and the execution and filing of any collateral assignments and any other instruments requested by Secured Parties to perfect its security interest in any and all of Debtor's patents, trademarks, service marks, tradenames, copyrights and other general intangibles.

#### 5. Events of Default.

Any one or more of the following events shall constitute an Event of Default by Debtor under this Agreement:

(a) The occurrence of an Event of Default under any of the Notes or any other instrument securing payment of the Notes; or

(b) Debtor's material breach of any representation or warranty under this Agreement or violation or failure to perform under any of the covenants contained in this Agreement.

#### 6. Secured Parties' Rights and Remedies.

(a) Upon the occurrence of an Event of Default, the Secured Parties may, at their election, upon ten (10) days prior written notice of its election and without demand, do any one or more of the following, all of which are authorized by Debtor:

(i) Declare the entire outstanding balance of the Notes immediately due and payable; or

(ii) Without notice, demand or hearing, any right to which is hereby waived

by Debtor, the Secured Parties may take possession of all or any part of the Collateral and enter and remain upon the premises where such Collateral is located for the purpose of such possession and the exercise of the remedies provided herein, without the same being a trespass; or

(iii) Take possession of any Collateral and any agreement, instrument, lease, license, permit, contract or other document evidencing any of the Collateral and may apply or seek on behalf of and as attorney-in-fact for the Debtor, any necessary consent to the assignment, transfer, conveyance, sale, renewal, reissuance or other disposition of the same, and the Debtor shall cooperate reasonably and fully with the Secured Parties in doing so and shall take all actions reasonably requested by the Secured Parties in furtherance thereof; and

(iv) Dispose of the Collateral by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including Debtor's premises) as the Secured Parties determine is commercially reasonable, and apply any proceeds to the Notes in whatever manner or order the Secured Parties deem appropriate.

(b) Effective upon the occurrence of an Event of Default, Debtor hereby irrevocably appoints the Secured Parties (and any of their designees) as Debtor's true and lawful attorney to: (a) dispose of any Collateral; (b) to modify or amend, in its reasonable discretion, without first obtaining Debtor's approval of or signature to such modification, Exhibits A, B and C hereof, as appropriate, to include reference to any right, title or interest in any Copyrights, Patents or Trademarks acquired by Debtor after the execution hereof or to delete any reference to any right, title or interest in any Copyrights, Patents or Trademarks in which Debtor no longer has or claims to have any right, title or interest; and (c) to transfer the Collateral into the name of one or more of the Secured Parties or a third party to the extent permitted under the Maryland Uniform Commercial Code. The appointment of the Secured Parties as Debtor's attorney in fact, and each and every one of the rights and powers of the Secured Parties, being coupled with an interest, is irrevocable until each of the Notes is fully paid and satisfied.

(c) The Secured Parties' rights and remedies under this Agreement, the Notes and all other agreements shall be cumulative. The Secured Parties shall have all other rights and remedies not inconsistent herewith as provided under the Maryland Uniform Commercial Code, by law or in equity. No exercise by the Secured Parties of one right or remedy shall be deemed an election, and no waiver by the Secured Parties of any default on Debtor's part shall be deemed a continuing waiver. No delay by the Secured Parties shall constitute a waiver, election or acquiescence by it. No waiver by the Secured Parties shall be effective unless made in a written document signed on behalf of a majority of the Secured Parties and then shall be effective only in the specific instance and for the specific purpose for which it was given.

## 7. Notices.

All notices or demands by any party relating to this Agreement shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified; (b) five (5) days after having been sent by registered mail, postage prepaid, return receipt requested; or (c) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt, at its addresses set forth below:

If to Debtor:                   NexTone Communications, Inc.  
9700 Great Seneca Highway  
Rockville, MD 20850

Attention: Raj Sharma

With copy to: Piper Marbury Rudnick & Wolfe LLP  
1775 Wiehle Avenue  
Suite 400  
Reston, VA 20190  
Attention: Nancy A. Spangler, Esq.

If to the Secured Parties, at the address set forth on Schedule I, unless and until notice of another or different address shall be given as provided herein. 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.

8. Governing Law. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of Maryland, without regard to principles of conflicts of law. Each of the Debtor and the Secured Parties hereby consent to the service of process in the manner listed in the notice provisions of Section 7 of this Agreement. Each of Debtor and the Secured Parties hereby submits to the exclusive jurisdiction of the state and Federal courts located in the County of Montgomery, State of Maryland.

9. General Provisions.

(a) 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 Debtor without the Secured Parties' prior written consent, which consent may not be unreasonably withheld. Secured Parties shall have the right with the consent of or notice to Debtor to sell, transfer, negotiate, or grant participation in all or any part of, or any interest in, the Secured Parties' obligations, rights and benefits hereunder.

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

(c) 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.

(d) This Agreement cannot be amended or terminated orally. No provision of this Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by Debtor and a majority of the Secured Parties. 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.

(e) 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.

(f) All covenants, representations and warranties made in this Agreement shall continue in full force and effect so long as any amount is outstanding under the Notes.

(g) This Agreement and the security interest granted hereunder shall terminate with respect to the Collateral when all amounts due and owing under the Notes have been fully satisfied and

paid or such amounts have been converted into capital stock of the Debtor in accordance with the Bridge Loan Agreement. Upon termination of the Secured Parties' security interest in the Collateral, the Secured Parties shall reassign and deliver to the Debtor the Collateral (including, reassigning the Patents and/or Patent Applications to the Debtor), without recourse or representation, and at Debtor's expense, so long as such expenses are reasonable. Upon request of Debtor and at Debtor's expense, so long as such expenses are reasonable, the Secured Parties shall execute and deliver to Debtor termination statements with respect to financing statements filed thereunder.

*[Execution page follows]*

IN WITNESS WHEREOF, the parties have cause this Security Agreement to be duly executed by its officers thereunto duly authorized as of the first date written above.

**DEBTOR:**

**NEXTONE COMMUNICATIONS, INC.**  
a Delaware corporation

By: Raj R. Sharma  
Name: Raj Sharma  
Title: Chief Executive Officer and Chairman

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NEXTONE COMMUNICATIONS, INC.

SECURITY AGREEMENT

COUNTERPART SIGNATURE PAGE

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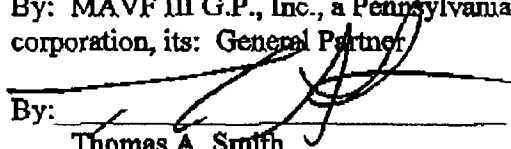
IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the day and year first above written.

**Mid-Atlantic Venture Fund III, L.P.**

By: MAVF III Partners, L.P., a Pennsylvania  
limited partnership, its: General Partner

By: MAVF III G.P., Inc., a Pennsylvania  
corporation, its: General Partner

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

  
Thomas A. Smith  
Director

---

NEXTONE COMMUNICATIONS, INC.

SECURITY AGREEMENT

COUNTERPART SIGNATURE PAGE

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IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the day and year first above written.

BLUE ROCK CAPITAL, L.P., a Delaware limited partnership

By: Blue Rock Partners, L.P., a Delaware limited partnership, its General Partner

By: Blue Rock, Inc., a Delaware corporation, its: General Partner

By: Virginia Bonker  
Virginia Bonker  
President

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**NEXTONE COMMUNICATIONS, INC.**

**SECURITY AGREEMENT**

**COUNTERPART SIGNATURE PAGE**

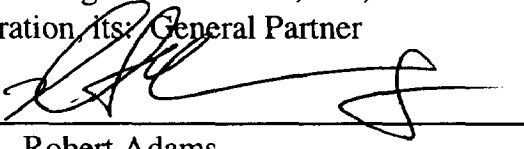
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IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the day and year first above written.

**SAFEGUARD 2001 CAPITAL, L.P.,**

By: Safeguard Delaware, Inc., a Delaware  
corporation, its: General Partner

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

  
Robert Adams  
Vice President



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NEXTONE COMMUNICATIONS, INC.

SECURITY AGREEMENT

COUNTERPART SIGNATURE PAGE

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IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the day and year first above written.

THE ANDRE G. SEYNHAEVE TRUST U/A, DATED  
04/04/91

By: 

Denis Seynhaeve  
Trustee

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NEXTONE COMMUNICATIONS, INC.

SECURITY AGREEMENT

COUNTERPART SIGNATURE PAGE

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IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the day and year first above written.

*Raj R. Sharma*  
\_\_\_\_\_  
RAJ SHARMA

---

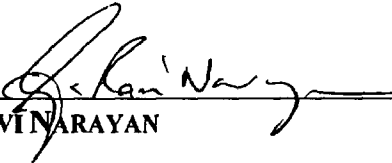
NEXTONE COMMUNICATIONS, INC.

SECURITY AGREEMENT

COUNTERPART SIGNATURE PAGE

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IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the day and year first above written.

  
RAVINARAYAN

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**NEXTONE COMMUNICATIONS, INC.**

**SECURITY AGREEMENT**

**COUNTERPART SIGNATURE PAGE**

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IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the day and year first above written.



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**SRIDHAR RAMACHANDRAN**

10/10/2001 14:00 4709000100

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**NEXTONE COMMUNICATIONS, INC.**

**SECURITY AGREEMENT**

**COUNTERPART SIGNATURE PAGE**

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IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the day and year first above written.

By: Robert Greene

Name: Robert Greene

Title: Director

28867-2

TRADEMARK  
REEL: 002401 FRAME: 0074

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**NEXTONE COMMUNICATIONS, INC.**

**SECURITY AGREEMENT**

**COUNTERPART SIGNATURE PAGE**

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IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the day and year first above written.

Mt. Washington Associates II, L.L.C.

By: 

Name: Edwin M. Martin, Jr.

Title: Authorized Member

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NEXTONE COMMUNICATIONS, INC.

SECURITY AGREEMENT

COUNTERPART SIGNATURE PAGE

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IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the day and year first above written.

By: John Gillespie  
Name: John Gillespie  
Title: Director of Sales

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NEXTONE COMMUNICATIONS, INC.

SECURITY AGREEMENT

COUNTERPART SIGNATURE PAGE

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IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the day and year first above written.

By: Lawrence S. Beerman  
Name: Lawrence S. Beerman  
Title: VP - Business Development



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NEXTONE COMMUNICATIONS, INC.

SECURITY AGREEMENT

COUNTERPART SIGNATURE PAGE

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IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the day and year first above written.



JAI GUPTA, Member RSSI Associates, LLC

**SCHEDULE I****SECURED PARTIES**

**Mid-Atlantic Venture Fund III  
1801 Reston Parkway  
Suite 203  
Reston, VA 20190  
Attn: Thomas A. Smith**

**Blue Rock Capital, L.P  
9700 Great Seneca Highway  
Rockville, MD 20850  
Attn: Virginia Bonker**

**Safeguard 2001 Capital, L.P.  
800 The Safeguard Building  
435 Devon Park Drive  
Wayne, PA 19087  
Attn: Robert Adams**

**The Andre G. Seynhaeve Trust U/A, dated  
04/04/91  
c/o Denis Seynhaeve  
220 Wardour Drive  
Annapolis, MD 21401**

**Mt. Washington Associates, L.L.P.  
C/o Edwin M. Martin, Jr.  
1200 19<sup>th</sup> Street, NW  
Washington, DC 20036  
Fax: 223-2085**

**Raj Sharma  
8801 Mirador Pl.  
McLean, VA 22102**

**Ravi Narayan  
13712 Millsfarm Rd.  
Rockville, MD 20850**

**Sridhar Ramachandran  
10204 Cavanaugh Farm Way  
Rockville, MD 20850**

**John Gillespie  
8255 George Washington Ct.  
Vienna, VA 22182**

**Larry Beerman**  
**43447 Thistlewood Ct.**  
**Ashburn, VA 20147**

**Robert Greene**  
**173 Greenway Drive**  
**Frederick, MD 21702**

**RSSJ Associates, LLC**  
**1173 Dolly Madison Dr.**  
**McLean, VA 22101**

**EXHIBIT A**

**Copyrights**

**Description**

None

Registration/  
Application  
**Number**

Registration/  
Application  
**Date**

**EXHIBIT B**

**Patent Applications**

<u>Description</u>	<u>Application Number</u>	<u>Application Date</u>
Dynamic network management configuration provisional patent	60/309,496	08/03/2001
Download Server provisional patent	60/304,439	07/12/2001
Communications system using portal and user interface provisional patent	60/307,880	07/27/2001
Method of changing IP Addresses of WEB Applications using the Provisioning and Configuration Applications	09/715,027	09/30/1999

**EXHIBIT C**

**Trademark Applications**

<u>Description</u>	<u>Application Number</u>	<u>Application Date</u>
NexTone Communications	75/651024	03MAR99