

8-12-03

08-15-2003



To the Honorable Commissioner of Patent
thereof.

Attached original documents or copy

102525730

1. Name of conveying party(ies):
NativeMinds, Inc.

Individual(s) Association

General Partnership Limited Partnership

Corporation- CALIFORNIA

Other _____

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

3. Nature of conveyance:

Assignment Merger

Security Agreement Change of Name

Other _____

Execution Date: August 8, 2003



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

Name: Horizon Ventures Fund I, L.P.

Internal Address: _____

Street Address: 4 Main Street, Suite 50

City: Los Altos State: California ZIP 94022

Individual(s) citizenship _____

Association _____

General Partnership _____

Limited Partnership CALIFORNIA

Corporation _____

Other _____

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

(Designation must be a separate document from Assignment).

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

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

A. Trademark Application No.(s)

76-003180

76-003182

76-003183

76-195058

Additional numbers attached? Yes No

B. Trademark Registration No.(s)

2082943	2353969
2176148	2497026
2225061	2528692
2274823	

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

Name: Jack Carsten

Internal Address: Horizon Ventures

Street Address: Four Main Street
Suite 50

City: Los Altos State: California ZIP 94022

6. Total number of applications and registration involved: 11 (eleven)

7. Total fee (37 CFR 3.41): \$ 290.00

Enclosed

Authorized to be charged to deposit account

8. Deposit account number:
03-3118
(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.

Peter J. Willsey August 8, 2003
Peter J. Willsey Date

08/14/2003 DBYRNE

00000144 76003180

Total number of pages including cover sheet, attachments, and document: 21

01 FC:8521
02 FC:8522

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

CONTINUATION SHEET

2. Name and address of receiving parties:

Name: Horizon Ventures Advisors Fund I, L.P.

Street Address: 4 Main Street, Suite 50

City: Los Altos

State: California

ZIP: 94022

Limited Partnership – CALIFORNIA

SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as of August 8, 2003 ("*Security Agreement*"), is made by and among NATIVEMINDS, INC., a California corporation ("*Grantor*"), and the secured parties listed on the signature pages hereto and each Secured Party as shall from time to time become a party hereto by executing a Joinder Agreement in the form attached hereto as EXHIBIT A (each, a "*Secured Party*" and, collectively, the "*Secured Parties*").

RECITALS

A. Each Secured Party has made and/or has agreed to make certain advances of money and to extend certain financial accommodation to Grantor as evidenced by Secured Promissory Note(s) as may be executed by Grantor in favor of such Secured Party prior to or after the date hereof (each, a "*Note*" and, collectively, the "*Notes*"), such advances and financial accomodation being referred to herein as the "*Loans*".

B. The Secured Parties are willing to make Loans to Grantor only upon the condition, among others, that Grantor shall have executed and delivered to the Secured Parties this Security Agreement and ancillary documents, including, without limitation a UCC-1 Financing Statement.

AGREEMENT

NOW, THEREFORE, in consideration of the recitals and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, Grantor represents, warrants, covenants and agrees as follows:

1. **DEFINED TERMS.** When used in this Security Agreement the following terms shall have the following meanings (such meanings being equally applicable to both the singular and plural forms of the terms defined):

"*Bankruptcy Code*" means Title XI of the United States Code.

"*Collateral*" shall have the meaning assigned to such term in Section 2 of this Security Agreement.

"*Contracts*" means all contracts (including any customer, vendor, supplier, service or maintenance contract), leases, licenses, undertakings, purchase orders, permits, franchise agreements or other agreements (other than any right evidenced by Chattel Paper, Documents or Instruments), whether in written or electronic form, in or under which Grantor now holds or hereafter acquires any right, title or interest, including, without limitation, with respect to an Account, any agreement relating to the terms of payment or the terms of performance thereof.

"*Copyright License*" means any agreement, whether in written or electronic form, in which Grantor now holds or hereafter acquires any interest, granting any right in or to any

Copyright or Copyright registration (whether Grantor is the licensee or the licensor thereunder) including, without limitation, licenses pursuant to which Grantor has obtained the exclusive right to use a copyright owned by a third party.

“Copyrights” means all of the following now owned or hereafter acquired or created (as a work for hire for the benefit of Grantor) by Grantor or in which Grantor now holds or hereafter acquires or receives any right or interest, in whole or in part: (a) all copyrights, whether registered or unregistered, held pursuant to the laws of the United States, any State thereof or any other country; (b) registrations, applications, recordings and proceedings in the United States Copyright Office or in any similar office or agency of the United States, any State thereof or any other country; (c) any continuations, renewals or extensions thereof; (d) any registrations to be issued in any pending applications, and shall include any right or interest in and to work protectable by any of the foregoing which are presently or in the future owned, created or authorized (as a work for hire for the benefit of Grantor) or acquired by Grantor, in whole or in part; (e) prior versions of works covered by copyright and all works based upon, derived from or incorporating such works; (f) income, royalties, damages, claims and payments now and hereafter due and/or payable with respect to copyrights, including, without limitation, damages, claims and recoveries for past, present or future infringement; (g) rights to sue for past, present and future infringements of any copyright; and (h) any other rights corresponding to any of the foregoing rights throughout the world.

“Event of Default” means (i) any failure by Grantor forthwith to pay or perform any of the Secured Obligations that is not cured within five (5) days, and/or (ii) any “Event of Default” as defined in the Note.

“Intellectual Property” means any intellectual property, in any medium, of any kind or nature whatsoever, now or hereafter owned or acquired or received by Grantor or in which Grantor now holds or hereafter acquires or receives any right or interest, and shall include, in any event, any Copyright, Trademark, Patent, trade secret, customer list, internet domain name (including any right related to the registration thereof), proprietary or confidential information, mask work, source, object or other programming code, invention (whether or not patented or patentable), technical information, procedure, design, knowledge, know-how, software, data base, data, skill, expertise, recipe, experience, process, model, drawing, material or record.

“License” means any Copyright License, Patent License, Trademark License or other license of rights or interests, whether in-bound or out-bound, whether in written or electronic form, now or hereafter owned or acquired or received by Grantor or in which Grantor now holds or hereafter acquires or receives any right or interest, and shall include any renewals or extensions of any of the foregoing thereof.

“Lien” means any mortgage, lien, deed of trust, charge, pledge, security interest or other encumbrance.

“Majority Lenders” means any Secured Party or group of Secured Parties holding greater than fifty percent (50%) of the outstanding and unpaid principal under all Loans of all Secured Parties.

“Patent License” means any agreement, whether in written or electronic form, in which Grantor now holds or hereafter acquires any interest, granting any right with respect to any invention on which a Patent is in existence (whether Grantor is the licensee or the licensor thereunder).

“Patents” means all of the following in which Grantor now holds or hereafter acquires any interest: (a) all letters patent of the United States or any other country, all registrations and recordings thereof and all applications for letters patent of the United States or any other country, including, without limitation, registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country; (b) all reissues, divisions, continuations, renewals, continuations-in-part or extensions thereof; (c) all petty patents, divisionals and patents of addition; (d) all patents to issue in any such applications; (e) income, royalties, damages, claims and payments now and hereafter due and/or payable with respect to patents, including, without limitation, damages, claims and recoveries for past, present or future infringement; and (f) rights to sue for past, present and future infringements of any patent.

“Person” means any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the foregoing.

“Permitted Lien” means: (a) any Liens existing on the date of this Security Agreement and set forth on **SCHEDULE A** attached hereto; (b) Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings; (c) Liens (i) upon or in any Equipment acquired or held by Grantor to secure the purchase price of such Equipment or indebtedness incurred solely for the purpose of financing the acquisition of such Equipment or (ii) existing on such Equipment at the time of its acquisition, provided that the Lien is confined solely to the Equipment so acquired, improvements thereon and the Proceeds of such Equipment; (d) leases or subleases and licenses or sublicenses granted to others in the ordinary course of Grantor’s business if such are otherwise permitted under this Security Agreement and do not interfere in any material respect with the business of Grantor; (e) any right, title or interest of a licensor under a license provided that such license or sublicense does not prohibit the grant of the security interest granted hereunder; (f) Liens arising from judgments, decrees or attachments; (g) easements, reservations, rights-of-way, restrictions, minor defects or irregularities in title and other similar Liens affecting real property not interfering in any material respect with the ordinary conduct of the business of Grantor; (h) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; (i) Liens arising solely by virtue of any statutory or common law provision relating to banker’s liens, rights of setoff or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; (j) Liens on equipment and other personal property (including proceeds thereof and accessions thereto) securing capital or operating lease obligations, including without limitation sale and lease-back transactions; and (k) Liens, not otherwise permitted, which Liens do not in the aggregate exceed \$50,000 at any one time.

“Pro Rata” means, as to any Secured Party at any time, the percentage equivalent at such time of such Secured Party’s aggregate unpaid principal amount of Loans, divided by the combined aggregate unpaid principal amount of all Loans of all Secured Parties.

“Secured Obligations” means (a) the obligation of Grantor to repay the Secured Parties all of the unpaid principal amount of, and accrued interest on (including any interest that accrues after the commencement of bankruptcy), the Loans and (b) the obligation of Grantor to pay any fees, costs and expenses of Secured Party under **Section 5(b)** hereof.

“Security Agreement” means this Security Agreement and all Schedules hereto, as the same may from time to time be amended, modified, supplemented or restated.

“Trademark License” means any agreement, whether in written or electronic form, in which Grantor now holds or hereafter acquires any interest, granting any right in and to any Trademark or Trademark registration (whether Grantor is the licensee or the licensor thereunder).

“Trademarks” means any of the following in which Grantor now holds or hereafter acquires any interest: (a) any trademarks, tradenames, corporate names, company names, business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof and any applications in connection therewith, including, without limitation, registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country (collectively, the “Marks”); (b) any reissues, extensions or renewals thereof; (c) the goodwill of the business symbolized by or associated with the Marks; (d) income, royalties, damages, claims and payments now and hereafter due and/or payable with respect to the Marks, including, without limitation, damages, claims and recoveries for past, present or future infringement; and (e) rights to sue for past, present and future infringements of the Marks.

“UCC” means the Uniform Commercial Code as the same may from time to time be in effect in the State of California (and each reference in this Security Agreement to an Article thereof (denoted as a Division of the UCC as adopted and in effect in the State of California) shall refer to that Article (or Division, as applicable) as from time to time in effect, which in the case of Article 9 shall include and refer to Revised Article 9 from and after the date Revised Article 9 shall become effective in the State of California); *provided, however*, in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of the Secured Parties’ security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of California, the term “UCC” shall mean the Uniform Commercial Code (including the Articles thereof) as in effect at such time in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions.

In addition, the following terms shall be defined terms having the meaning set forth for such terms in the UCC: “Account” (including health-care-insurance receivables), “Account Debtor”, “Chattel Paper” (including tangible and electronic chattel paper), “Commercial Tort

Claims”, “Commodity Account”, “Deposit Account”, “Documents”, “Equipment” (including all accessions and additions thereto), “Fixtures”, “General Intangible” (including payment intangibles and software), “Instrument”, “Inventory” (including all goods held for sale or lease or to be furnished under a contract of service, and including returns and repossessions), “Investment Property” (including securities and securities entitlements), “Letter-of-Credit Right” (whether or not the letter of credit is evidenced by a writing), “Payment Intangibles”, “Proceeds”, “Promissory Notes”, “Securities Account”, and “Supporting Obligations”. Each of the foregoing defined terms shall include all of such items now owned, or hereafter acquired, by Grantor.

2. GRANT OF SECURITY INTEREST. As collateral security for the full, prompt, complete and final payment and performance when due (whether at stated maturity, by acceleration or otherwise) of all the Secured Obligations and in order to induce the Secured Parties to cause the Loans to be made, Grantor hereby assigns, conveys, mortgages, pledges, hypothecates and transfers to the Secured Parties, and hereby grants to the Secured Parties, a security interest in all of Grantor’s right, title and interest in, to and under the following, whether now owned or hereafter acquired, (all of which being collectively referred to herein as the “*Collateral*”):

- (a) All Accounts of Grantor;
- (b) All Chattel Paper of Grantor;
- (c) All Commercial Tort Claims of Grantor;
- (d) All Contracts of Grantor;
- (e) All Deposit Accounts of Grantor;
- (f) All Documents of Grantor;
- (g) All Equipment of Grantor;
- (h) All Fixtures of Grantor;

(i) All General Intangibles of Grantor, including, without limitation, Payment Intangibles, all Copyrights, Patents, Trademarks, Licenses, designs, drawings, technical information, marketing plans, customer lists, trade secrets, proprietary or confidential information, inventions (whether or not patentable), procedures, know-how, models and data, as set forth on **SCHEDULE B**;

- (j) All Instruments of Grantor, including, without limitation, Promissory Notes;
- (k) All Inventory of Grantor;
- (l) All Investment Property of Grantor;
- (m) All Letter-of Credit Rights of Grantor;
- (n) All Supporting Obligations of Grantor;

(o) All property of Grantor held by any Secured Party, or any other party for whom any Secured Party is acting as agent hereunder, including, without limitation, all property of every-description now or hereafter in the possession or custody of or in transit to any Secured Party or such other party for any purpose, including, without limitation, safekeeping, collection or pledge, for the account of Grantor, or as to which Grantor may have any right or power;

(p) All other goods and personal property of Grantor, wherever located, whether tangible or intangible, and whether now owned or hereafter acquired, existing, leased or consigned by or to Grantor; and

(q) To the extent not otherwise included, all Proceeds of each of the foregoing and all accessions to, substitutions and replacements for and rents, profits and products of each of the foregoing.

Notwithstanding the foregoing provisions of this **Section 2**, the grant, assignment and transfer of a security interest as provided herein shall not extend to, and the term "*Collateral*" shall not include: (a) "intent-to-use" trademarks at all times prior to the first use thereof, whether by the actual use thereof in commerce, the recording of a statement of use with the United States Patent and Trademark Office or otherwise or (b) any Contract, Instrument or Chattel Paper in which Grantor has any right, title or interest if and to the extent such Contract, Instrument or Chattel Paper includes a provision containing a restriction on assignment such that the creation of a security interest in the right, title or interest of Grantor therein would be prohibited and would, in and of itself, cause or result in a default thereunder enabling another Person party to such Contract, Instrument or Chattel Paper to enforce any remedy with respect thereto; *provided* that the foregoing exclusion shall not apply if (i) such prohibition has been waived or such other Person has otherwise consented to the creation hereunder of a security interest in such Contract, Instrument or Chattel Paper or (ii) such prohibition would be rendered ineffective pursuant to Sections 9-407(a) or 9-408(a) of the UCC, as applicable and as then in effect in any relevant jurisdiction, or any other applicable law (including the Bankruptcy Code) or principles of equity); *provided further* that immediately upon the ineffectiveness, lapse or termination of any such provision, the Collateral shall include, and Grantor shall be deemed to have granted a security interest in, all its rights, title and interests in and to such Contract, Instrument or Chattel Paper as if such provision had never been in effect; and *provided further that* the foregoing exclusion shall in no way be construed so as to limit, impair or otherwise affect any Secured Party's unconditional continuing security interest in and to all rights, title and interests of Grantor in or to any payment obligations or other rights to receive monies due or to become due under any such Contract, Instrument or Chattel Paper and in any such monies and other proceeds of such Contract, Instrument or Chattel Paper.

3. RIGHTS OF SECURED PARTIES; COLLECTION OF ACCOUNTS.

(a) Notwithstanding anything contained in this Security Agreement to the contrary, Grantor expressly agrees that it shall remain liable under each of its Contracts and each of its Licenses to observe and perform all the conditions and obligations to be observed and performed by it thereunder and that, unless otherwise approved in good faith by the Grantor's Board of Directors, it shall perform all of its duties and obligations thereunder, all in accordance with and pursuant to the terms and provisions of each such Contract or License. No Secured

Party shall have any obligation or liability under any Contract or License by reason of or arising out of this Security Agreement or the granting to the Secured Parties of a lien therein or the receipt by any Secured Party of any payment relating to any Contract or License pursuant hereto, nor shall any Secured Party be required or obligated in any manner to perform or fulfill any of the obligations of Grantor under or pursuant to any Contract or License, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any Contract or License, or to present or file any claim, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(b) The Secured Parties authorize Grantor to collect its Accounts.

4. COVENANTS. Unless the Majority Lenders otherwise consents, Grantor covenants and agrees with the Secured Parties that from and after the date of this Security Agreement and until the Secured Obligations have been performed and paid in full:

4.1 Disposition of Collateral. Grantor shall not sell, lease, transfer or otherwise dispose of any of the Collateral (each, a "*Transfer*"), or attempt or contract to do so, other than (a) the sale of Inventory in the ordinary course of business, (b) the granting of Licenses in the ordinary course of business and (c) the disposal of worn-out or obsolete Equipment, and (d) Transfers of Equipment for fair market value as determined by Grantor in its good faith business judgment.

4.2 Change of Jurisdiction of Organization, Relocation of Business. Grantor shall not change its jurisdiction of organization or relocate its chief executive office, principal place of business or its records from such address(es) as set forth on the signature page hereto without at least seven (7) days prior notice to the Secured Parties.

4.3 Limitation on Liens on Collateral. Grantor shall not, directly or indirectly, create, permit or suffer to exist, and shall defend the Collateral against and take such other action as is necessary to remove, any Lien on the Collateral, except (a) Permitted Liens and (b) the Lien granted to the Secured Parties under this Security Agreement.

4.4 Taxes, Assessments, Etc. Grantor shall pay promptly when due all property and other taxes, assessments and government charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, the Equipment, Fixtures or Inventory, except to the extent the validity or amount thereof is being contested in good faith and adequate reserves are being maintained in connection therewith.

4.5 Defense of Intellectual Property. Grantor shall use commercially reasonable efforts to (i) protect, defend and maintain the validity and enforceability of all Copyrights, Patents and Trademarks material to Grantor's business and (ii) detect infringements of all Copyrights, Patents and Trademarks material to Grantor's business.

4.6 Further Assurances. At any time and from time to time, upon the written request of the Majority Lenders, and at the sole expense of Grantor, Grantor shall promptly and duly execute and deliver any and all such further instruments and documents and take such further action as the Majority Lenders may reasonably deem necessary or desirable to obtain the

full benefits of this Security Agreement, including, without limitation, (a) executing, delivering and causing to be filed any financing or continuation statements (including "in lieu" continuation statements) under the UCC with respect to the security interests granted hereby, (b) at the Majority Lender's reasonable request, filing or cooperating with the Secured Parties in filing any forms or other documents required to be recorded with the United States Patent and Trademark Office, United States Copyright Office, (c) at the Majority Lenders' reasonable request, placing the interest of the Secured Parties as lienholder on the certificate of title (or similar evidence of ownership) of any vehicle, watercraft or other Equipment constituting Collateral owned by Grantor which is covered by a certificate of title (or similar evidence of ownership), (d) executing and delivering and using commercially reasonable efforts to cause the applicable depository institution, securities intermediary, commodity intermediary or issuer or nominated party under a letter of credit to execute and deliver a collateral control agreement with respect to any Deposit Account, Securities Account or Commodity Account or Letter-of-Credit Right in or to which Grantor has any right or interest and (e) at the Majority Lenders' reasonable request, using commercially reasonable efforts to obtain acknowledgments from bailees having possession of any Collateral and waivers of liens from landlords and mortgagees of any location where any of the Collateral may from time to time be stored or located. Grantor also hereby authorizes the Secured Parties to file any such financing or continuation statement (including "in lieu" continuation statements) without the signature of Grantor.

5. RIGHTS AND REMEDIES UPON DEFAULT. Beginning on the date which is five (5) business days after any Event of Default shall have occurred and while such Event of Default is continuing:

(a) Upon the written consent of the Majority Lenders, the Secured Parties may exercise in addition to all other rights and remedies granted to it under this Security Agreement all rights and remedies of a secured party under the UCC.

(b) Grantor agrees to pay all fees, costs and expenses of the Secured Parties, including, without limitation, reasonable attorneys' fees, incurred in connection with the enforcement of any of its rights and remedies hereunder.

(c) Grantor hereby waives presentment, demand, protest or any notice (to the maximum extent permitted by applicable law) of any kind in connection with this Security Agreement or any Collateral.

(d) To the extent not covered under clause (b) immediately above, the costs of enforcing or pursuing any right or remedy hereunder, including without limitation any repossession, sale, possession and management (including, without limitation, reasonable attorneys' fees), and distribution shall be borne Pro Rata by the Secured Parties. Each Secured Party shall reimburse the other Secured Parties, as applicable, for its Pro Rata share of all such costs promptly upon demand.

(e) **Actions by the Secured Parties and Amendments.** All actions, omissions and decisions of the Secured Parties hereunder or any amendment of this Security Agreement (each called herein an "*Act of the Secured Parties*") shall be determined by and require the

written consent of the Majority Lenders. Each Secured Party shall take such actions and execute such documents as may be necessary to confirm or accomplish any Act of the Secured Parties.

6. REINSTATEMENT. This Security Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against Grantor for liquidation or reorganization, should Grantor become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of Grantor's property and assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Secured Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Secured Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Secured Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

7. MISCELLANEOUS.

7.1 Waivers; Amendments. None of the terms or provisions of this Security Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by Grantor and the Majority Lenders. Each Secured Party acknowledges that because this Security Agreement may be amended with the consent of the Majority Lenders, each Secured Party's rights hereunder may be amended or waived without such Secured Party's consent.

7.2 Counterparts. This Security Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one and the same instrument.

7.3 Termination of this Security Agreement. This Security Agreement shall terminate upon the payment and performance in full of the Secured Obligations. Upon termination, the Secured Parties shall return to Grantor all Collateral then held such Secured Parties, if any, and upon written request of Grantor, shall execute, in form for filing, termination statements of the security interests herein granted, in each case at the expense of Grantor. Thereafter, no party hereto shall have any further rights or obligations hereunder.

7.4 Successor and Assigns. This Security Agreement and all obligations of Grantor hereunder shall be binding upon the successors and assigns of Grantor, and shall, together with the rights and remedies of the Secured Parties hereunder, inure to the benefit of the Secured Parties, any future holder of any of the indebtedness and their respective successors and assigns. No sales of participations, other sales, assignments, transfers or other dispositions of any agreement governing or instrument evidencing the Secured Obligations or any portion thereof or interest therein shall in any manner affect the lien granted to the Secured Parties hereunder.

7.5 Governing Law. In all respects, including all matters of construction, validity and performance, this Security Agreement and the Secured Obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of California applicable to contracts made and performed in such state, without regard to the principles thereof regarding conflict of laws, except to the extent that the UCC provides for the application of the law of Grantor's State.

7.6 Additional Secured Parties. Any Person may become a Secured Party and beneficiary under this Security Agreement upon the Grantor's receipt of the Joinder Agreement attached as **EXHIBIT A** hereto, executed and delivered by such Person and, as of the date of Grantor's agreement and written acknowledgement of the receipt of such Joinder Agreement, such Person shall have the same rights and obligations as the other Secured Parties hereunder and the term "Secured Parties" as used herein shall be deemed to include such Person.

[Signature pages follow.]

IN WITNESS WHEREOF, each of the parties hereto has caused this Security Agreement to be executed and delivered by its duly authorized officer on the date first set forth above.

GRANTOR:

NATIVEMINDS, INC.

ADDRESS OF GRANTOR

By: 
Peter Micciche, CEO

NativeMinds, Inc.
404 Bryant Street
San Francisco, CA 94107

JURISDICTION OF ORGANIZATION OF GRANTOR:

California


TAXPAYER IDENTIFICATION NUMBER OF GRANTOR

94-3254841

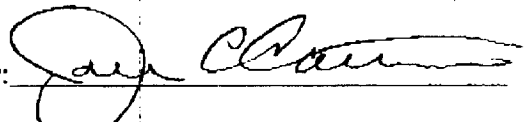
IN WITNESS WHEREOF, each of the parties hereto has caused this Security Agreement to be executed and delivered by its duly authorized officer on the date first set forth above.

SECURED PARTIES:

HORIZON VENTURES FUND I, L.P.

By: 
Printed Name: _____
Title: **Managing Director**
Horizon Management Group I, LLC

HORIZON VENTURES ADVISORS FUND I, L.P.

By: 
Printed Name: _____
Title: **Managing Director**
Horizon Management Group I, LLC

SCHEDULE A

LIENS EXISTING ON THE DATE OF THIS SECURITY AGREEMENT

845240 v1/SF
\$46W01!.DOC

SCHEDULE A

TRADEMARK
REEL: 002801 FRAME: 0784

SCHEDULE B

INTELLECTUAL PROPERTY

**NativeMinds, Inc.
Registered Copyrights**

No applications for registration of copyrights have been filed at this time.

**NativeMinds, Inc.
Patents**

- 1)** United States Patent: 6,259,969
Issue Date: July 10, 2001
Title: System and method for automatically verifying the performance of a virtual robot
Inventors: Tackett; Walter A. (San Francisco, CA); Benson; Scott S. (Burlingame, CA)
Assignee: NativeMinds, Inc. (San Francisco, CA)
Appl. No.: 017760
Filed: February 3, 1998
- 2)** United States Patent: 6,314,410
Issue Date: November 6, 2001
Title: System and method for identifying the context of a statement made to a virtual robot
Inventors: Tackett; Walter A. (San Francisco, CA); Benson; Scott S. (Burlingame, CA); Dillinger; Ray S. (Novato, CA)
Assignee: Nativeminds, Inc. (San Francisco, CA)
Appl. No.: 067322
Filed: April 27, 1998
- 3)** United States Patent: 6,363,301
Issue Date: March 26, 2002
Title: System and method for automatically focusing the attention of a virtual robot interacting with users
Inventors: Tackett; Walter A. (San Francisco, CA); Benson; Scott S. (Burlingame, CA)
Assignee: Nativeminds, Inc. (San Francisco, CA)
Appl. No.: 868713
Filed: June 4, 1997

NativeMinds, Inc.
Trademarks, Registered and Pending

1) Serial Number: 74727616
Registration Number: 2082943
Mark (words only): **NEUROMEDIA**
Current Status: Registered.
Date of Status: 1997-07-29
Filing Date: 1995-09-11
Registration Date: 1997-07-29
Owner: Tackett, Walter

Goods and/or Services: computer programs and software all featuring routines for use in computer programs by others and software tools for use by others in developing computer programs relating to intelligent game components and tools, artificial intelligence, artificial life, learning and optimization routines, programmatic on-line technologies and adaptive computation routines

2) Serial Number: 75198580
Registration Number: 2176148
Mark (words only): **GERBIL**
Current Status: Registered.
Date of Status: 1998-07-28
Filing Date: 1996-11-15
Registration Date: 1998-07-28
Owner: NEUROMEDIA, INC.

Goods and/or Services: computer programs for use in developing and executing other computer programs on computers, computer networks, and global communications networks, and instruction manuals sold therewith; computer programs for use in navigating and transferring information on computers, computer networks and global communications networks, and instruction manuals sold therewith; computer programs for use in the development of other software in the field of application development, tools and utilities, database implementation reporting and connectivity, user interfaces, visual development tools and programming tools and utilities and instructional manuals sold therewith

3) Serial Number: 75278478
Registration Number: 2274823
Mark (words only): **NEUROSCRIPT**
Current Status: Registered.
Date of Status: 1999-08-31
Filing Date: 1997-04-21
Registration Date: 1999-08-31
Owner: Neuromedia, Inc.

Goods and/or Services: computer programs for use in developing and executing other computer programs on computers, computer networks, and global communication networks and instruction manuals sold therewith

4) Serial Number: 75278547
Registration Number: 2225061
Mark (words only): **NEUROSTUDIO**
Current Status: Registered.
Date of Status: 1999-02-23
Filing Date: 1997-04-21
Registration Date: 1999-02-23
Owner: Neuromedia, Inc.

Goods and/or Services: computer software for developing computer software including, visual editing software; compiler software; test platform operating system software for testing and altering the source operating code, operator interaction and debugging information of the developed computer software

5) Serial Number: 75278548
Registration Number: 2353969
Mark (words only): **NEUROSERVER**
Current Status: Registered.
Date of Status: 2000-05-30
Filing Date: 1997-04-21
Registration Date: 2000-05-30
Owner: Neuromedia, Inc.

Goods and/or Services: computer software used for running software agent programs on a computer network server and for serving multiple connections to global computer information networks

6) Serial Number: 75843437
Registration Number: 2497026
Mark (words only): **FACEWARE**
Current Status: Registered.
Date of Status: 2001-10-09
Filing Date: 1999-11-08
Registration Date: 2001-10-09
Owner: Neuromedia, Inc.

Goods and/or Services: full line of computer software and programs that provide a conduit and create a natural language two-way dialog between users and other computer programs and/or data repositories

7) Serial Number: 75843932
Registration Number: 2528692
Mark (words only): **VREP**
Current Status: Registered.
Date of Status: 2002-01-08
Filing Date: 1999-11-09
Registration Date: 2002-01-08
Owner: NATIVEMINDS, INC.

Goods and/or Services: DOWNLOADABLE COMPUTER SOFTWARE FOR USE IN DEVELOPING AND DEPLOYING SOFTWARE AGENT PROGRAMS THAT INTERACT WITH USERS ON A COMPUTER NETWORK SERVER AND COMMUNICATE WITH MULTIPLE USERS OVER GLOBAL COMPUTER NETWORKS

8) Serial Number: 76003180
Registration Number: (NOT AVAILABLE)
Mark (words only): **IREPLY**
Current Status: An ex parte appeal of a final refusal to register the applied for mark is pending before the Trademark Trial and Appeal Board.
Date of Status: 2001-08-07
Filing Date: 2000-03-17
Registration Date: (DATE NOT AVAILABLE)
Owner: Neuromedia, Inc.

Goods and/or Services: computer services for use in the creation, deployment and maintenance of virtual representatives for use over the global computer information network

9) Serial Number: 76003182
Registration Number: (NOT AVAILABLE)
Mark (words only): **NATIVEMINDS**
Current Status: The final review before registration has been completed for this Intent to Use application and it will register in due course.
Date of Status: 2003-01-21
Filing Date: 2000-03-17
Registration Date: (DATE NOT AVAILABLE)
Owner: Neuromedia, Inc.

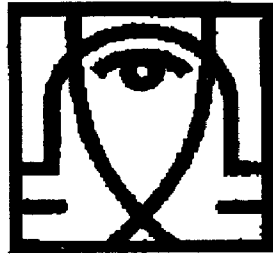
Goods and/or Services: COMPUTER SERVICES; NAMELY, INSTALLATION, TESTING, ANALYSIS AND EVALUATION OF SOFTWARE PROGRAMS THAT FEATURE A SIMULATED, AUTOMATED CUSTOMER SERVICE REPRESENTATIVE, IN THE FIELD OF CUSTOMER SERVICE

10) Serial Number: 76003183
Registration Number: (NOT AVAILABLE)
Mark (words only): **NATIVEMINDS**
Current Status: Abandoned: No Statement of Use filed after Notice of Allowance was issued.
Date of Status: 2002-05-28
Filing Date: 2000-03-17
Registration Date: (DATE NOT AVAILABLE)
Owner: NATIVEMINDS, INC.

Goods and/or Services: Computer software featuring a simulated, automated customer service representative for use in providing on-line assistance to customers according to programmer-defined parameters

Note: Abandonment due to Trademark Office error. A Request for Cancellation and Reissuance of Notice of Allowance has been filed and is under review.

11) Serial Number: 76195058
Registration Number: (NOT AVAILABLE)
Mark



Current Status: Final review prior to publication has been completed, application will be published for opposition.
Date of Status: 2003-02-13
Filing Date: 2001-01-17
Registration Date: (DATE NOT AVAILABLE)
Owner: NativeMinds, Inc.

Goods and/or Services: COMPUTER SOFTWARE FEATURING A SIMULATED, AUTOMATED CUSTOMER SERVICE REPRESENTATIVE FOR USE IN PROVIDING ON-LINE ASSISTANCE TO CUSTOMERS ACCORDING TO PROGRAMMER-DEFINED PARAMETERS

Goods and/or Services: CONSULTATION, IMPLEMENTATION, AND MAINTENANCE OF SOFTWARE PROGRAMS, NAMELY, COMPUTER-GENERATED VIRTUAL CUSTOMER REPRESENTATIVES

EXHIBIT A

FORM OF JOINDER AGREEMENT

Reference is made to that certain Security Agreement (the "*Security Agreement*"), dated as of _____, 2003, executed by NATIVEMINDS, INC., a California corporation (the "*Grantor*") in favor of the Secured Parties identified. All capitalized terms used but not defined herein have the respective meanings ascribed thereto in the Security Agreement. This agreement is a Joinder Agreement referred to in Section 7.6 of the Security Agreement.

The undersigned lender ("*Lender*") hereby covenants and certifies that such Lender has made advances of money and/or extended certain financial accommodations to the Grantor as evidenced by that certain Secured Promissory Note dated as of [____], executed by the Grantor in favor of such Lender for the aggregate principal amount of \$____. The Grantor hereby consents to the Lender becoming a Secured Party and beneficiary under the Security Agreement.

This Joinder and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one and the same instrument.

[SECURED PARTY], as Secured Party

By: _____

Printed Name: _____

Title: _____

ACKNOWLEDGED AND AGREED BY:

NATIVEMINDS, INC.

By: _____

Peter Micciche, CEO