

10/23/03

10-24-2003

Form PTO-1594 (Rev. 10/02) OMB No. 0651-0027 (exp. 6/30/2005) Tab settings

RE 1



102582871

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

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

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

- Individual(s) Association General Partnership Limited Partnership Corporation-State Delaware 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: September 30, 2003

2. Name and address of receiving party(ies)

Name: Jerusalem Venture Partners IV, L.P. Internal Address: 25th Floor Street Address: 41 Madison Avenue City: New York State: NY Zip: 10010

- 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 No

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

A. Trademark Application No.(s) 78/165,198 78/256,744, 78/264,284, 78/278,105

B. Trademark Registration No.(s)

Additional number(s) attached Yes No

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

Name: James M. Singer Internal Address: Pepper Hamilton LLP Street Address: 500 Grant Street, 50th Floor City: Pittsburgh State: PA Zip: 15219

6. Total number of applications and registrations involved: 1

7. Total fee (37 CFR 3.41): \$ 115.00 Enclosed Authorized to be charged to deposit account

8. Deposit account number: 500436

2003 OCT 23 PM 2:01 OPR/FINANCE

DO NOT USE THIS SPACE

9. Signature.

James M. Singer Reg. No. 45,111 Name of Person Signing

Signature

10-21-03 Date

Total number of pages including cover sheet, attachments, and document: 23

10/24/2003 ECOOPER 00000023 78165198

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

01 FC:8521 40.00 02 FC:8522 75.00

TRADEMARK REEL: 002849 FRAME: 0954

Additional Receiving Parties:

Jerusalem Venture Partners IV-A, L.P.
41 Madison Avenue, 25th Floor
New York, NY 10010

Jerusalem Venture Partners Entrepreneurs Fund IV, L.P.
41 Madison Avenue, 25th Floor
New York, NY 10010

Jerusalem Venture Partners IV (Israel), L.P.
Jerusalem Technology Park, Building 1
Jerusalem, ISRAEL

Lucent Venture Partners III LLC
600 Mountain Avenue
Murray Hill, NJ 07974

SECURITY AGREEMENT

This Security Agreement (the "Agreement") is made as of the 30 day of September, 2003 by and among MagniFire Websystems, Inc., a Delaware company (the "Debtor"), MagniFire Networks Ltd., a British Virgin Islands company and wholly owned subsidiary of the Debtor ("Subsidiary," and together with Debtor, the "Securing Parties"), and Jerusalem Venture Partners IV, L.P. ("JVP IV"), Jerusalem Venture Partners Entrepreneurs Fund IV, L.P. ("JVP Ent. IV"), Jerusalem Venture Partners IV-A, L.P. ("JVP IV-A"), Jerusalem Venture Partners IV (Israel), L.P. ("JVP IV Israel") and Lucent Venture Partners III LLC ("LVP"), collectively with JVP IV, JVP IV-A, JVP Ent. IV and JVP IV Israel referred to herein as the "Secured Parties"). For purpose of this Security Agreement the Secured Parties shall act by the written consent of Secured Parties holding in the aggregate the majority of the aggregate Principal Amount in accordance with the Notes (both as defined in the Purchase Agreement), or be represented by an agent appointed by such majority holders, and such act shall bind all Secured Parties.

RECITALS

The Securing Parties and the Secured Parties are parties to a Convertible Loan and Promissory Notes Purchase Agreement of even date with this Agreement (the "Purchase Agreement") pursuant to which the Secured Parties shall purchase the Notes (as defined in the Purchase Agreement) from the Debtor. The parties intend that the Debtor's obligations to repay the Notes and any other Obligation be secured by all of the assets of the Securing Parties.

AGREEMENT

In consideration of the purchase of the Notes by the Secured Parties and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Securing Parties hereby agree with the Secured Parties as follows:

1. Grant of Security Interest.

(a) To secure the Debtor's full and timely performance of the Obligations, the Securing Parties hereby grant to the Secured Parties a continuing Lien on and security interest (the "Security Interest") in, all of the Securing Parties' right, title and interest in and to all of their personal property and assets (both tangible and intangible), including, without limitation, the following, whether now owned or hereafter acquired and wherever located: (a) all Receivables; (b) all Equipment; (c) all Fixtures; (d) all General Intangibles; (e) all Inventory; (f) all Investment Property; (g) all Deposit Accounts; (h) all Cash; (i) all other Goods of the Securing Parties; (j) all Intellectual Property; and (k) all Proceeds of each of the foregoing and all accessions to, and replacements for, each of the foregoing (collectively, the "Collateral").

(b) The following terms shall have the following meanings for purposes of this Agreement:

"Account" means any "Account," as such term is defined in the UCC now owned or hereafter acquired by the Securing Parties or in which the Securing Parties now hold or hereafter acquire any interest and, in any event, shall include, without limitation, all accounts receivable, book debts, rights to payment and other forms of obligations (other than forms of obligations evidenced by Chattel Paper, Documents or Instruments) now owned or hereafter received or acquired by or belonging or owing to the Securing Parties whether or not arising out of goods or software sold or services rendered by the Securing Parties or from any other transaction, whether or not the same involves the sale of goods or services by the Securing Parties and all of the Securing Parties' rights in, to and under all purchase orders or receipts now owned or hereafter acquired by it for goods or services, and all of the Securing Parties' rights to any goods represented by any of the foregoing, and all monies due or to become due to the Securing Parties under all purchase orders and contracts for the sale of goods or the performance of services or both by the Securing Parties or in connection with any other transaction (whether or not yet earned by performance on the part of the Securing Parties), now in existence or hereafter occurring, including, without limitation, the right to receive the proceeds of said purchase orders and contracts, and all collateral security and guarantees of any kind given by any Person with respect to any of the foregoing.

"Cash" means all cash, money, currency, and liquid funds, wherever held, in which the Securing Parties now or hereafter acquire any right, title, or interest.

"Chattel Paper" means any "Chattel paper," as such term is defined in the UCC, now owned or hereafter acquired by the Securing Parties or in which the Securing Parties now hold or hereafter acquire any interest.

"Commercial Tort Claim" shall have the meaning given to that term in Section 2(e) of this Agreement.

"Deposit Accounts" means any "Deposit accounts," as such term is defined in the UCC, and includes any checking account, savings account, or certificate of deposit, now owned or hereafter acquired by the Securing Parties or in which the Securing Parties now hold or hereafter acquire any interest.

"Documents" means any "Documents," as such term is defined in the UCC, now owned or hereafter acquired by the Securing Parties or in which the Securing Parties now hold or hereafter acquire any interest.

"Electronic Chattel Paper" means any "Electronic chattel paper," as such term is defined in the UCC, now owned or hereafter acquired by the Securing Parties or in which the Securing Parties now hold or hereafter acquire any interest.

"Equipment" means any "Equipment," as such term is defined in the UCC, now owned or hereafter acquired by the Securing Parties or in which the Securing Parties now hold or hereafter acquire any interest and any and all additions, upgrades, substitutions and replacements of any of the foregoing, together with all attachments, components, parts, equipment and

accessories installed thereon or affixed thereto, now owned or hereafter acquired by the Securing Parties or in which the Securing Parties now hold or hereafter acquire interest.

"Fixtures" means any "Fixtures," as such term is defined in the UCC, together with all right, title and interest of the Securing Parties in and to all extensions, improvements, betterments, accessions, renewals, substitutes, and replacements of, and all additions and appurtenances to any of the foregoing property, and all conversions of the security constituted thereby, immediately upon any acquisition or release thereof or any such conversion, as the case may be, now owned or hereafter acquired by the Securing Parties or in which the Securing Parties now hold or hereafter acquire any interest.

"General Intangible" means any "General intangible," as such term is defined in the UCC, now owned or hereafter acquired by the Securing Parties or in which the Securing Parties now hold or hereafter acquire any interest and, in any event, shall include, without limitation, all right, title and interest that the Securing Parties may now or hereafter have in or under any contracts, rights to payment, payment intangibles, confidential information, interests in partnerships, limited liability companies, corporations, joint ventures and other business associations, permits, goodwill, claims in or under insurance policies, including unearned premiums and premium adjustments, uncertificated securities, deposit, checking and other bank accounts, but shall not include any Intellectual Property (including the right to receive all proceeds and damages therefrom), rights to receive tax refunds and other payments and rights of indemnification.

"Goods" means any "Goods," as such term is defined in the UCC, now owned or hereafter acquired by the Securing Parties or in which the Securing Parties now hold or hereafter acquire any interest.

"Instruments" means any "Instrument," as such term is defined in the UCC, now owned or hereafter acquired by the Securing Parties or in which the Securing Parties now hold or hereafter acquire any interest.

"Intellectual Property" means, collectively, all rights, priorities and privileges of the Securing Parties relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including copyrights, copyright licenses, inventions, patents, patent licenses, trademarks, trademark licenses and trade secrets (including customer lists), domain names, Web sites and know-how, including, but not limited to, the applications, patents, trademarks and copyrights set forth on Schedule 1(b).

"Inventory" means any "Inventory," as such term is defined in the UCC, now owned or hereafter acquired by the Securing Parties or in which the Securing Parties now hold or hereafter acquire any interest, and, in any event, shall include, without limitation, all inventory, goods and other personal property that are held by or on behalf of the Securing Parties for sale or lease or are furnished or are to be furnished under a contract of service or that constitute raw materials, work in process or materials used or consumed or to be used or consumed in the Securing Parties' business, or the processing, packaging, promotion, delivery or shipping of the same, and all finished goods, whether or not the same is in transit or in the constructive, actual or

exclusive possession of the Securing Parties or is held by others for the Securing Parties' account, including, without limitation, all goods covered by purchase orders and contracts with suppliers and all goods billed and held by suppliers and all such property that may be in the possession or custody of any carriers, forwarding agents, truckers, warehousemen, vendors, selling agents or other Persons.

"Investment Property" means any "Investment property," as such term is defined in the UCC, and includes certificated securities, uncertificated securities, money market funds and U.S. Treasury bills or notes, now owned or hereafter acquired by the Securing Parties or in which the Securing Parties now hold or hereafter acquire any interest.

"Letter of Credit Right" means any "Letter of credit right," as such term is defined in the UCC, now owned or hereafter acquired by the Securing Parties or in which the Securing Parties now hold or hereafter acquire any interest, including any right to payment or performance under any letter of credit.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment for security, security interest, encumbrance, levy, lien or charge of any kind, whether voluntarily incurred or arising by operation of law or otherwise, against any property, any conditional sale or other title retention agreement, any lease in the nature of a security interest, and the filing of any financing statement (other than a precautionary financing statement with respect to a lease that is not in the nature of a security interest) under the UCC or comparable law of any jurisdiction.

"Obligations" shall mean the principal amount of indebtedness to the Secured Parties, together with all accrued and unpaid interest thereon, evidenced by the Notes or in connection with the Purchase Agreement and the Notes, including without limitation all interest, fees, charges, reasonable expenses, reasonable attorneys' fees and accountants' fees chargeable to the Securing Parties or payable by the Securing Parties thereunder.

"Person" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, public benefit corporation, other entity or government (whether federal, state, county, city, municipal, local, foreign, or otherwise, including any instrumentality, division, agency, body or department thereof).

"Proceeds" means "Proceeds," as such term is defined in the UCC and, in any event, shall include, without limitation, (a) any and all Accounts, Chattel Paper, Instruments, cash or other forms of money or currency or other proceeds payable to the Securing Parties from time to time in respect of the Collateral, (b) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to the Securing Parties from time to time with respect to any of the Collateral, (c) any and all payments (in any form whatsoever) made or due and payable to the Securing Parties from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental authority (or any Person acting under color of governmental authority), (d) the proceeds, damages, or recovery based on any claim of the Securing Parties against third parties (i) for past, present or future infringement of any copyright, patent or patent license or (ii) for past, present or

future infringement or dilution of any trademark or trademark license or for injury to the goodwill associated with any trademark, trademark registration or trademark licensed under any trademark license and (e) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Receivables" means all of the Securing Parties' Accounts, Instruments, Documents, Chattel Paper, Supporting Obligations, and letters of credit and Letter of Credit Rights.

"Supporting Obligation" means any "Supporting obligation," as such term is defined in the UCC, now owned or hereafter acquired by the Securing Parties or in which the Securing Parties now hold or hereafter acquire any interest.

"UCC" means the Uniform Commercial Code as the same may, from time to time, be in effect in the State of Delaware; provided, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, the Secured Parties' Lien on any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of Delaware, the term "UCC" shall mean the Uniform Commercial Code as enacted and in effect, from time to time, in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

Unless otherwise defined herein, all capitalized terms used herein and defined in the Purchase Agreement shall have the respective meaning given to those terms in the Purchase Agreement, and terms that are defined in the UCC and used herein shall have the meanings given to them in the UCC.

2. **Representations and Warranties.** The Securing Parties hereby represent and warrant to the Secured Parties that:

(a) **Ownership of Collateral.** The Securing Parties are the legal and beneficial owner of the Collateral (or, in the case of after-acquired Collateral, at the time the Securing Parties duly acquire full rights and title in the Collateral, will be the legal and beneficial owners thereof). The Securing Parties have rights in or the power to transfer the Collateral free and clear of any adverse Lien, security interest or encumbrance except as created by this Security Interest. No financing statements covering any Collateral or any proceeds thereof are on file in any public office (other than filings listing the Secured Parties as the Secured Parties).

(b) **Valid Security Interest.** The Security Interest granted pursuant to this Agreement will constitute a valid and continuing perfected security interest in favor of the Secured Parties in the Collateral for which perfection is governed by the UCC or filing with the United States Copyright Office or United States Patent and Trademark Office. Such Security Interest will be prior to all other Liens on the Collateral.

(c) **Organization and Good Standing.** The Debtor and Subsidiary each have been duly incorporated, and is validly existing and with respect to the Debtor only, in good standing, under the laws of their jurisdiction.

(d) **Location, State of Organization and Name of the Securing Parties.** The Debtor's country of organization is the State of Delaware and the Debtor's exact legal name as it appears in the official filings in the State of Delaware is as set forth in the first paragraph of this Agreement. The Debtor has only one jurisdiction of organization. Subsidiary's country of organization is the Territory of the British Virgin Islands and its exact legal name as it appears in the official filings in the Territory of the British Virgin Islands is as set forth in the first paragraph of this Agreement. Subsidiary has only one jurisdiction of organization.

(e) **Commercial Tort Claim.** The Securing Parties have not filed and do not presently intend to file, a claim, suit or action or command any formal proceeding against another party seeking redress or damages of any kind of an actual or alleged commercial tort (a "**Commercial Tort Claim**").

(f) **Location of Equipment and Inventory.** All Equipment and Inventory are (i) located at the locations indicated on **Schedule 2(f)** (ii) in transit to such locations or (iii) in transit to a third party purchaser which will become obligated on a Receivable to the Securing Parties upon receipt. Except for Equipment and Inventory referred to in clauses (ii) and (iii) of the preceding sentence, the Securing Parties have exclusive possession and control of the Inventory and Equipment.

(f) **Receivables.** Each Receivable is genuine and enforceable against the parties obligated to pay the same (an "**Account Securing Parties**") free from any right of rescission, defense, setoff or discount.

(g) **Insurance.** Each insurance policy maintained by the Securing Parties is validly existing and is in full force and effect. The Securing Parties are not in default under the provisions of any insurance policy, and there are no facts which, with the giving of notice or passage of time (or both), would result in such a default under any provision of any such insurance policy.

(h) This Agreement is effective to create a valid and continuing Lien upon the Collateral. All action by the Securing Parties necessary or desirable to protect and perfect such Lien on each item of the Collateral has been duly taken or will be duly taken as soon as practicable after the Closing of the Purchase Agreement, but in any event not later than 10 business days after Closing, and evidence for filing shall be delivered to Secured Parties .

3. **Covenants.** The Securing Parties represent, warrant, covenant and agree that, from and after the date of this Agreement until the Obligations are paid in full:

(a) **Other Liens.** Except for the Security Interest, the Securing Parties have rights in or the power to transfer the Collateral and its title and will be able to do so hereafter free from any adverse Lien, security interest or encumbrance, and the Securing Parties will defend the

Collateral against the claims and demands of all persons at any time claiming the same or any interest therein.

(b) **Further Documentation.** At any time and from time to time, upon the written request of the Secured Parties, and at the sole expense of the Securing Parties, the Securing Parties will promptly and duly authenticate and deliver such further instruments and documents and take such further action as the Secured Parties determines necessary or desirable for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted including, without limitation: (i) filing any financing or continuation statements under the UCC in effect with respect to the Liens created hereby; and (ii) filing with the United States Copyright Office or United States Patent and Trademark Office notices with respect to the Liens and the security interest on any applicable Intellectual Property (parties agree that this Agreement shall be considered as the patents or other Intellectual Property pledge agreement to the extent required for such notices). The Securing Parties also hereby authorize the Secured Parties to file any such financing, amendment or continuation statement without the authentication of the Securing Parties to the extent permitted by applicable law. A reproduction of this Agreement shall be sufficient as a financing statement (or as an exhibit to a financing statement on form UCC-1) and for filing in any jurisdiction.

(c) **Indemnification.** The Securing Parties agree to defend, indemnify and hold harmless the Secured Parties against any and all liabilities, costs and expenses (including, without limitation, legal fees and expenses) ("**Liabilities**"): (i) with respect to, or resulting from, any delay in paying, any and all excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral, (ii) with respect to, or resulting from, any delay in complying with any law, rule, regulation or order of any governmental authority applicable to any of the Collateral or (iii) in connection with any of the transactions contemplated by this Agreement.

(d) **Maintenance of Records.** The Securing Parties will keep and maintain at their own expense complete and satisfactory records of the Collateral.

(e) **Inspection Rights.** The Secured Parties shall have full access during normal business hours, and upon prior notice, to all the books, correspondence and other records of the Securing Parties relating to the Collateral. The Secured Parties or its representative may examine such records and make photocopies or otherwise take extracts from such records. The Securing Parties agree to render to the Secured Parties, at the Securing Parties' expense, such clerical and other assistance as the Secured Parties may request with regard to the exercise of its rights pursuant to this paragraph.

(f) **Compliance with Laws, etc.** The Securing Parties (i) will comply with all laws, rules, regulations and orders of any governmental authority applicable to any part of the Collateral or to the operation of the Securing Parties' business and (ii) shall not use or permit any Collateral to be used in violation of any provision of the Purchase Agreement and the Notes, any law, rule or obligation or order of any governmental authority, or any policy of insurance covering the Collateral.

(g) **Payment of Obligations.** The Securing Parties will pay promptly when due all taxes, assessments and governmental charges or levies imposed upon the Collateral or with respect to any of its income or profits derived from the Collateral, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to the Collateral.

(h) **Compliance with Purchase Agreement.** The Securing Parties will strictly comply with the terms and conditions of the Purchase Agreement.

(i) **Limitation on Liens on Collateral.** The Securing Parties will not create, incur or permit to exist, will defend the Collateral against, and will take such other action as is necessary to remove, any Lien or claim on or to the Collateral, other than the Security Interest, and will defend the right, title and interest of the Secured Parties in and to any of the Collateral against the claims and demands of all other persons.

(j) **Limitations on Dispositions of Collateral.** The Securing Parties will not sell, transfer, lease, or otherwise dispose of any of the Collateral, or attempt, offer or contract to do so, unless in the ordinary course of business.

(k) **Further Identification of Collateral.** The Securing Parties will furnish to the Secured Parties from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Secured Parties may request, all in detail acceptable to the Secured Parties.

(l) **Notice of Change of State of Incorporation.** Without 30 days' prior written notice to, and the prior written consent from, the Secured Parties, the Securing Parties shall not (i) change the Securing Parties' name, state of incorporation or organization, organizational identification number or place of business (or, if the Securing Parties have more than one place of business, their respective chief executive offices), or the office in which the Securing Parties' records relating to Receivables are kept, (ii) keep Collateral consisting of Chattel Paper and documents at any location other than their chief executive offices set forth on **Schedule 2(f)**, or (iii) keep Collateral consisting of Equipment, Inventory or other goods at any location other than the locations set forth in **Schedule 2(f)**.

(m) **Future Commercial Tort Claims.** The Securing Parties will promptly give notice to the Secured Parties upon the initiation of any Commercial Tort Claim. The Securing Parties hereby authorize the Secured Parties to amend this Agreement (without any further action or consent from the Securing Parties) to include any such Commercial Tort Claim as Collateral hereunder.

(n) Intentionally omitted.

(o) Intentionally omitted.

(p) **Collection of Receivables.** The Securing Parties shall collect, enforce and receive delivery of the Receivables in accordance with past practice until otherwise notified by the Secured Parties.

(q) **Insurance.** The Securing Parties shall (i) maintain and keep in force insurance of the types and in amounts customarily carried from time to time during the term of this Agreement in their lines of business, including fire, public liability, property damage and worker's compensation, such insurance to be carried with companies and in amounts satisfactory to the Secured Parties, (ii) deliver to the Secured Parties from time to time, as the Secured Parties may request, schedules setting forth all insurance then in effect, and (iii) deliver to the Secured Parties copies of each policy of insurance which replaces, or evidences the renewal of, each existing policy of insurance at least 15 days prior to the expiration of such policy. If requested by the Secured Parties, the Secured Parties shall be named as additional insured or additional loss payee, as appropriate, on all liability and property insurance of the Securing Parties and such policies shall contain such additional endorsements as shall be required by the Secured Parties. All proceeds of any property insurance less than \$5,000, paid after the occurrence and during the continuance of an Event of Default as a result of any event or occurrence shall be paid to the Securing Parties. All proceeds of any property insurance, in the total amount greater than \$5,000, paid after the occurrence and during the continuance of an Event of Default shall be paid to the Secured Parties to be held as collateral and applied as provided in the Purchase Agreement or, at the election of the Secured Parties, returned to the Securing Parties.

(r) Intentionally omitted.

(s) **Letters of Credit.** If the Securing Parties is or becomes the beneficiary of a letter of credit, the Securing Parties shall promptly, and in any event within two business days after becoming a beneficiary, notify the Secured Parties thereof and enter into a tri-party agreement with the Secured Parties and the issuer or confirmation bank with respect to such Letter of Credit Rights assigning such Letter of Credit Rights to the Secured Parties and directing all payments thereunder to the Secured Parties, all in form and substance satisfactory to the Secured Parties.

(t) **Electronic Chattel Paper.** The Securing Parties shall take all steps necessary to grant the Secured Parties control of all Electronic Chattel Paper in accordance with the UCC and all "transferable records" as defined in each of the Uniform Electronic Transactions Act and the Electronic Signatures in Global and National Commerce Act.

(u) **Intellectual Property Matters.** The Securing Parties shall notify the Secured Parties immediately if it knows or has reason to know (i) that any application or registration relating to any of its Intellectual Property may become abandoned or dedicated, or (ii) of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court) regarding the Securing Parties' ownership of any Intellectual Property.

(v) **Intellectual Property Applications.** In no event shall the Securing Parties, either by themselves or through any agent, employee, licensee or designee, file an application for the registration of any patent, trademark or copyright with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency without giving the Secured Parties prior written notice thereof, and, upon request of the Secured Parties, the Securing Parties shall execute and deliver any and all security documents as the Secured Parties may request to evidence the Secured Parties' Lien on such Intellectual Property and the general intangibles of the Securing Parties relating thereto or represented thereby. The Securing Parties hereby authorize the Secured Parties to amend this Agreement (without any further action or consent from the Securing Parties) to include any such patent, trademark or copyright as Collateral hereunder.

(w) **Intellectual Property Abandonment.** The Securing Parties shall take all actions necessary or requested by the Secured Parties to maintain and pursue each application, to obtain the relevant registration and to maintain the registration of its Intellectual Property, including the filing of applications for renewal, affidavits of use, affidavits of noncontestability and opposition and interference and cancellation proceedings, unless the Secured Parties shall determine that such Intellectual Property is not material to the conduct of its business.

(x) **Protection of Intellectual Property.** In the event that any of the Securing Parties' Intellectual Property is infringed upon, or misappropriated or diluted by a third party, the Securing Parties shall notify the Secured Parties promptly after the Securing Parties learns thereof. The Securing Parties shall, unless the Secured Parties shall reasonably determine that such Intellectual Property is in no way material to the conduct of their businesses or operations, promptly sue for, and seek recovery of any and all damages resulting from such infringement, misappropriation or dilution, and shall take such other actions as the Secured Parties shall deem necessary, appropriate or desirable under the circumstances to protect such Intellectual Property.

(y) **Chattel Paper.** The Securing Parties shall type, print or stamp conspicuously on the face of all original copies of all Collateral consisting of Chattel Paper and Documents not in the possession of the Secured Parties a legend satisfactory to the Secured Parties indicating that such Chattel Paper is subject to the security interest granted hereby.

(z) **Limitation on Filing of Financing Statements.** The Securing Parties acknowledge that they are not authorized to file any financing statement or amendment or termination statement with respect to any financing statement without the prior written consent of the Secured Parties and agrees that they will not do so without the prior written consent of the Secured Parties, subject to the Securing Parties' rights under Section 9509(d)(2) of the UCC.

4. **Event of Default; the Secured Parties' Appointment as Attorney-in-Fact.**

(a) **Event of Default.** For purposes of this Agreement, the occurrence of an Event of Default shall be as defined under the Notes (including occurrence thereof with respect to the Subsidiary), and shall also include any of the Securing Parties' failure to observe or perform any other covenant, obligation, condition or agreement contained in this Agreement, the Notes or the Purchase Agreement which is not cured within 7 days of notice thereof.

(b) **Powers.** The Securing Parties hereby appoint the Secured Parties and any officer or agent of the Secured Parties, with full power of substitution, as their attorney-in-fact with full irrevocable power and authority in the place of the Securing Parties and in the name of the Securing Parties or its own name, from time to time in the Secured Parties's discretion so long as an Event of Default has occurred and is continuing, for the purpose of carrying out the terms of this Agreement, to take any appropriate action and to authenticate any instrument which may be necessary or desirable to accomplish the purposes of this Agreement. Without limiting the foregoing, to the extent permitted by applicable law, so long as an Event of Default has occurred and is continuing, the Secured Parties shall have the right, without notice to, or the consent of, the Securing Parties, to do any of the following on the Securing Parties' behalf:

- (i) to pay or discharge any taxes or Liens levied or placed on or threatened against the Collateral;
- (ii) to direct any party liable for any payment under any of the Collateral to make payment of any and all amounts due or to become due thereunder directly to the Secured Parties or as the Secured Parties directs;
- (iii) to ask for or demand, collect, and receive payment of and receipt for, any payments due or to become due at any time in respect of or arising out of any Collateral;
- (iv) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to enforce any right in respect of any Collateral;
- (v) to defend any suit, action or proceeding brought against the Securing Parties with respect to any Collateral;
- (vi) to settle, compromise or adjust any suit, action or proceeding described in subsection (v) above and to give such discharges or releases in connection therewith as the Secured Parties may deem appropriate;
- (vii) to assign any patent right included in the Collateral of the Securing Parties (along with the goodwill of the business to which any such patent right pertains), throughout the world for such term or terms, on such conditions, and in such manner, as the Secured Parties shall in its sole discretion determine; and
- (viii) generally, to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral and to take, at the Secured Parties' option and the Securing Parties' expense, any actions which the Secured Parties deems necessary to protect, preserve or realize upon the Collateral and the Secured Parties' Lien on the Collateral and to carry out the intent of this Agreement, in each case to the same extent as if the Secured Parties were the absolute owner of the Collateral for all purposes.

The Securing Parties hereby ratify whatever actions the Secured Parties shall lawfully do or cause to be done in accordance with this Section 4. This power of attorney shall be a power coupled with an interest and shall be irrevocable.

(c) **No Duty on the Secured Parties' Part.** The powers conferred on the Secured Parties by this Section 4 are solely to protect the Secured Parties' interest in the Collateral and shall not impose any duty upon it to exercise any such powers. The Secured Parties shall be accountable only for amounts that it actually receive as a result of the exercise of such powers, and neither the Secured Parties nor any of its officers, directors, employees or agents shall be responsible to the Securing Parties for any act or failure to act pursuant to this Section 4; **provided, however,** that in the event that the Secured Parties have exercised any of the powers set forth in sub-section 4(b) above in accordance with its terms, they shall not have and hereby waive any claim they may have against the Securing Parties for any loss or damage caused to the Collaterals due to such actions or failures to so act.

5. **Performance by the Secured Parties of the Securing Parties' Obligations.** If the Securing Parties fail to perform or comply with any of their representations, warranties, covenants or agreements contained in this Agreement and the Secured Parties performs or complies, or otherwise causes performance or compliance, with such representation, warranty, covenant or agreement in accordance with the terms of this Agreement, then the expenses of the Secured Parties incurred in connection with such performance or compliance shall be payable by the Securing Parties to the Secured Parties on demand and shall constitute Obligations, which shall accrue interest at 10% per annum until paid, secured by this Agreement.

6. **Remedies.** If an Event of Default has occurred and is continuing, the Secured Parties may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement relating to the Obligations, all rights and remedies of a secured party under the UCC. Without limiting the foregoing, to the extent permitted by applicable law, the Secured Parties, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law) to or upon the Securing Parties or any other person (all of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances collect, receive, appropriate and realize upon any or all of the Collateral, and/or may sell, lease, assign, give an option or options to purchase, or otherwise dispose of and deliver any or all of the Collateral (or contract to do any of the foregoing), in one or more parcels at a public or private sale or sales, at any exchange, broker's board or office of the Secured Parties or elsewhere upon such terms and conditions as the Secured Parties may deem advisable, for cash or on credit or for future delivery without assumption of any credit risk. The Secured Parties shall have the right, to the extent permitted by law, upon any such private sale or sales, to purchase all or any part of the Collateral so sold, free of any right or equity of redemption in the Securing Parties, which right or equity is hereby waived or released. The Secured Parties shall apply the gross proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable expenses incurred therein or in connection with the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Secured Parties under this Agreement (including, without limitation, reasonable attorneys' fees and expenses) to the payment in whole or in part of the Obligations, and only after such application and after the payment by the Secured Parties of any other amount required by any provision of law, need the Secured Parties account for the surplus, if any, to the Securing Parties. To the extent permitted by applicable law, the Securing Parties waive all claims, damages and demands it may acquire against the Secured Parties arising out of the exercise by the Secured Parties of any of its rights hereunder. If any

notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least ten days before such sale or other disposition. The Securing Parties shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Obligations and the fees and disbursements of any attorneys employed by the Secured Parties to collect such deficiency. In furtherance of the Secured Parties' rights hereunder, the Securing Parties hereby grant to the Secured Parties an irrevocable, non-exclusive license (exercisable without royalty or other payment by the Secured Parties) to use, license or sublicense any patent, trademark, tradename, copyright or other Intellectual Property in which the Securing Parties now or hereafter have any right, title or interest.

7. **Limitation on Duties Regarding Preservation of Collateral.** The Secured Parties' sole duty with respect to the custody, safekeeping and preservation of the Collateral, under Section 9-207 of the UCC or otherwise, shall be to deal with it in the same manner as the Secured Parties deals with similar property for its own account. Neither the Secured Parties nor any of its respective directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of the Securing Parties or otherwise.

8. **Powers Coupled with an Interest.** All authorizations and agencies contained in this Agreement with respect to the Collateral are irrevocable and are powers coupled with an interest.

9. **No Waiver; Cumulative Remedies.** The Secured Parties shall not by any act (except by a written instrument pursuant to Section 11(a) hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any default under the Notes or in any breach of any of the terms and conditions of this Agreement. No failure to exercise, nor any delay in exercising, on the part of the Secured Parties, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Secured Parties of any right or remedy under this Agreement on any one occasion shall not be construed as a bar to any right or remedy which the Secured Parties would otherwise have on any subsequent occasion. The rights and remedies provided in this Agreement are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law.

10. **Termination of Security Interest.** Upon satisfaction of the Securing Parties' Obligations pursuant to the Notes or upon conversion thereof into equity securities of Debtor, the Security Interest granted herein shall automatically terminate and all rights to the Collateral shall revert to the Securing Parties. Without limitation to the foregoing, upon termination of this Agreement, the Secured Parties shall promptly furnish to the Debtor, in form for recordation, such executed UCC termination statements and other instruments, if any, as may be requested by the Debtor as necessary to evidence of record the termination of the liens and security interests created hereby.

11. Miscellaneous.

(a) Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived with the written consent of Secured Parties holding a majority in interest of the aggregate principal amount of the Notes and the Securing Parties. Any amendment or waiver effected in accordance with this Section 11(a) shall be binding upon the parties and their respective successors and assigns.

(b) Transfer; Successors and Assigns. The terms and conditions of this Agreement shall be binding upon the Securing Parties and their successors and assigns, as well as all persons who become bound as a Securing Parties to this Agreement and inure to the benefit of the Secured Parties and its successors and assigns. Nothing in this Agreement, express or implied, is intended to confer upon any parties other than the parties hereto or their respective successors and assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

(c) Governing Law. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.

(d) Counterparts. This Agreement may be executed in two or more counterparts, including execution via fax or e-mail, each of which shall be deemed an original and all of which together shall constitute one instrument.

(e) Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

(f) Notices. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon receipt, when delivered personally or by courier, overnight delivery service or confirmed facsimile, or 48 hours after being deposited in the U.S. mail as certified or registered mail with postage prepaid, if such notice is addressed to the parties to be notified at such party's address or facsimile number as set forth below or as subsequently modified by written notice.

(h) Payments Free of Taxes, Etc. All payments made by the Securing Parties under this Agreement shall be made by the Securing Parties free and clear of and without deduction for any and all present and future taxes, levies, charges, deductions and withholdings. In addition, the Securing Parties shall pay upon demand any stamp or other taxes, levies or charges of any jurisdiction with respect to the execution, delivery, registration, performance and enforcement of this Agreement. Upon request by the Secured Parties, the Securing Parties shall furnish evidence satisfactory to the Secured Parties that all requisite authorizations and approvals by, and notices to and filings with, governmental authorities and regulatory bodies have been obtained and made and that all requisite taxes, levies and charges have been paid.

(i) **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith, in order to maintain the economic position enjoyed by each party as close as possible to that under the provision rendered unenforceable. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

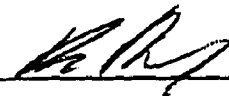

(j) **Entire Agreement.** This Agreement, and the documents referred to herein constitute the entire agreement between the parties hereto pertaining to the subject matter hereof, and any and all other written or oral agreements existing between the parties hereto concerning such subject matter are expressly canceled.

(k) **Secured Parties' Agent.** The Secured Parties hereby irrevocably appoint Jerusalem Venture Partners III, L.P., as agent for all the Secured Parties for all filings to be made under this Agreement and all actions required to be taken in connection therewith.

[Signature Pages Follow]

IN WITNESS WHEREOF, MagniFire has executed this Agreement UNDER SEAL on the day and year first above stated.

MagniFire Websystems, Inc.

By:  [SEAL]


ACCEPTED BY:

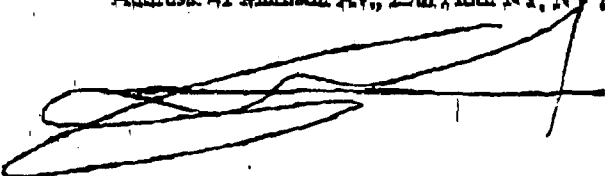
Jerusalem Venture Partners IV, L.P.

By: Jerusalem Partners IV LP, its General Partner

By: JVP Corp IV, its General Partner

By:

Address: 41 Madison Av., 25th Floor NY, NY 10010



Jerusalem Venture Partners IV-A, L.P.

By: Jerusalem Partners IV LP, its General Partner

By: JVP Corp IV, its General Partner

By:

Address: 41 Madison Av., 25th Floor NY NY 10010

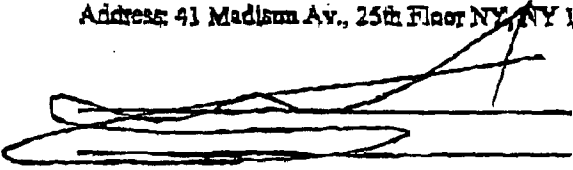
**Jerusalem Venture Partners Entrepreneurs Fund IV,
L.P.**

By: Jerusalem Partners IV LP, its General Partner

By: JVP Corp IV, its General Partner

By:

Address: 41 Madison Av., 25th Floor NY NY 10010



Jerusalem Venture Partners IV (Israel), L.P.

By its General Partner: JERUSALEM PARTNERS
IV - VENTURE CAPITAL, LP

By its General Partner: JVP Corp IV

By:

Address: Jerusalem Technology Park, Bldg. 1,
Jerusalem, Israel



PNV

Magnifire Networks Ltd.

By: Mark Shallop [SEAL]

- Signature Page of Security Agreement -

Annex A

Notes Table

Name	Principal Amount of Note (\$)
TOTAL	<hr/>

Schedule 1(b)**I. Patents**

Application No.	Title	Owner	Filing Date
10/102,810	A Virtual Host Acceleration System	Magnifire Networks Ltd., a British Virgin Islands company	3/22/2002
60/493,790	Improved Security for WAP Servers	Magnifire Websystems, Inc., a Delaware corporation	8/11/2003
not yet assigned	A Method and System for Preventing Unwanted Network Traffic	Magnifire Websystems, Inc., a Delaware corporation	not yet filed

II. Trademarks

Country	App./Reg. No.	Mark	Owner	Filing Date
US	78/165,198	TRAFFICSHIELD	Magnifire Websystems, Inc., a Delaware corporation	9/18/2002
US	78/256,744	APPLICATION FLOW MODEL	Magnifire Websystems, Inc., a Delaware corporation	6/18/2003
US	78/264,284	POSITIVE SECURITY LOGIC	Magnifire Websystems, Inc., a Delaware corporation	6/19/2003
EC	3163201	TRAFFICSHIELD	Magnifire Websystems, Inc., a Delaware corporation	5/15/2003
US	78/278,105	MAGNIFIRE	Magnifire Websystems, Inc., a Delaware corporation	7/24/2003