

RECORDATION FORM
TRADEMARK

12-14-1998

DEPARTMENT OF COMMERCE
Patent and Trademark Office



Tab settings: 11AB 12.8.98

100920839

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

1. Name of conveying party(ies): LGS INVESTMENTS AG

Individual(s) Association

General Partnership Limited Partnership

Corporation-State

Other Switzerland corporation

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

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

Name: Chase Manhattan International Limited, as Security Agent

Internal Address: c/o The Chase Manhattan Bank

Street Address: 270 Park Avenue

City: New York State: NY ZIP: 10017

3. Nature of conveyance:

Assignment Merger

Security Agreement Change of Name

Other _____

Execution Date October 2, 1998

Individual(s) citizenship _____

Association _____

General Partnership _____

Limited Partnership _____

Corporation-State New York banking 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) 75-443,447 (see attached Schedule 5)

Additional numbers attached? Yes No

B. Trademark Registration No.(s) 1,801,433 (see attached Schedule 5)

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

Name: Lori E. Lesser, Esq.

Internal Address: Simpson Thacher & Bartlett

Street Address: 425 Lexington Avenue

12/11/1998 IMGUYEN 00000055 1801433

FC:481 40.00 DP
FC:482 25.00 DP
by: New York New York ZIP: 10017

6. Total number of applications and registrations involved: 2

7. Total fee (37 CFR 3.41): \$65

Enclosed

Authorized to be charged to deposit account

8. Deposit account number:

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

DO NOT USE THIS SPACE

65E

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.

Lori E. Lesser, Esq. [Signature] 12-7-98

Name of Person Signing Signature Date

Total number of pages comprising cover sheet: 40

CONTINUATION OF ITEM ONE FROM RECORDATION COVER SHEET:

1. Name of conveying party(ies):

LGS HOLDINGS, INC. (DE Corporation)

LEICA GEOSYSTEMS, INC. (DE Corporation)

COLLATERAL AGREEMENT

made by

LGS INVESTMENTS AG

and certain of its Subsidiaries

in favor of

**CHASE MANHATTAN INTERNATIONAL LIMITED,
as Security Agent**

Dated as of October 2, 1998

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COLLATERAL AGREEMENT

COLLATERAL AGREEMENT, dated as of October 2, 1998 made by each of the signatories hereto (together with any other entity that may become a party hereto as provided herein, the "Grantors"), in favor of CHASE MANHATTAN INTERNATIONAL LIMITED, as Security Agent (in such capacity, the "Security Agent") for the Secured Beneficiaries.

WITNESSETH:

WHEREAS, pursuant to the Facility Agreement, dated as of July 30, 1998 (as amended, supplemented or otherwise modified from time to time, the "Facility Agreement"), among LGS Holdings AG (the "Company"), the companies identified therein as Guarantors (the "Guarantors"), Chase Manhattan plc (the "Arranger"), the banks and other financial institutions (the "Banks") from time to time parties to the Facility Agreement, Chase Manhattan International Limited, as Facility Agent (in such capacity, the "Facility Agent") and the Security Agent, the Banks have severally agreed to make extensions of credit to the Borrowers upon the terms and subject to the conditions set forth therein;

WHEREAS, the Borrowers are members of an affiliated group of companies that includes each other Grantor;

WHEREAS, the proceeds of the extensions of credit under the Facility Agreement will be used in part to enable the Borrowers to make valuable transfers to one or more of the other Grantors in connection with the operation of their respective businesses;

WHEREAS, the Borrowers and the other Grantors are engaged in related businesses, and each Grantor will derive substantial direct and indirect benefit from the making of the extensions of credit under the Facility Agreement; and

WHEREAS, it is a condition precedent to the obligation of the Banks to make their respective extensions of credit to the Borrowers under the Facility Agreement that the Grantors shall have executed and delivered this Agreement to the Security Agent for the ratable benefit of the Secured Beneficiaries;

NOW, THEREFORE, in consideration of the premises and to induce the Security Agent and the Banks to enter into the Facility Agreement and to induce the Banks to make their respective extensions of credit to the Borrowers thereunder, each Grantor hereby agrees with the Security Agent, for the ratable benefit of the Secured Beneficiaries, as follows:

SECTION 1. DEFINED TERMS

1.1 Definitions. (a) Unless otherwise defined herein, terms defined in the Facility Agreement and used herein shall have the meanings given to them in the Facility Agreement, and the following terms are used herein as defined in the New York UCC: Accounts, Certificated Security, Chattel Paper, Deposit Account, Documents, Equipment, Farm Products, Instruments and Inventory.

(b) The following terms shall have the following meanings:

"Affiliate": ~~as to any Person, the ultimate Holding Company of such Person or an entity~~ of which such Person or its ultimate Holding Company (i) has direct or indirect control or (ii) owns directly or indirectly more than fifty per cent of the Capital Stock or similar rights of ownership of such entity.

"Agreement": this Collateral Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Bank Hedge Agreements": all interest rate swaps, caps or collar agreements or similar arrangements entered into by the Borrowers with any Secured Beneficiary (or any Affiliate of any Secured Beneficiary) providing for protection against fluctuations in interest rates or currency exchange rates or the exchange of nominal interest obligations, either generally or under specific contingencies.

"Capital Stock": any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

"Collateral": the collective reference to Leica Collateral, LGS Investments Collateral and LGS Holdings Collateral.

"Collateral Account": any collateral account established by the Security Agent as provided in Section 5.1 or 5.4.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any material agreement, instrument or other undertaking to which such Person is a party or by which it or any of its Property is bound.

"Copyrights": (i) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished (including, without limitation, those listed in Schedule 5), all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications in the United States Copyright Office, and (ii) the right to obtain all renewals thereof.

"Copyright Licenses": any written agreement naming any Grantor as licensor or licensee (including, without limitation, those listed in Schedule 5), granting any right under any Copyright, including, without limitation, the grant of rights to manufacture, distribute, exploit and sell materials derived from any Copyright.

"Foreign Subsidiary": any Subsidiary organized under the laws of any jurisdiction outside the United States of America.

"Foreign Subsidiary Voting Stock": the voting Capital Stock of any Foreign Subsidiary.

"General Intangibles": all "general intangibles" as such term is defined in Section 9-106 of the New York UCC and in any event including, without limitation, with respect to **TRADEMARK**

Grantor, all contracts, agreements, instruments and indentures in any form, and portions thereof, to which such Grantor is a party or under which such Grantor has any right, title or interest or to which such Grantor or any property of such Grantor is subject, as the same may from time to time be amended, supplemented or otherwise modified, including, without limitation, (i) all rights of such Grantor to receive moneys due and to become due to it thereunder or in connection therewith, (ii) all rights of such Grantor to damages arising thereunder and (iii) all rights of such Grantor to perform and to exercise all remedies thereunder, in each case to the extent the grant by such Grantor of a security interest pursuant to this Agreement in its right, title and interest in such contract, agreement, instrument or indenture is not prohibited by such contract, agreement, instrument or indenture without the consent of any other party thereto, would not give any other party to such contract, agreement, instrument or indenture the right to terminate its obligations thereunder, or is permitted with consent if all necessary consents to such grant of a security interest have been obtained from the other parties thereto (it being understood that the foregoing shall not be deemed to obligate such Grantor to obtain such consents); provided, that the foregoing limitation shall not affect, limit, restrict or impair the grant by such Grantor of a security interest pursuant to this Agreement in any Receivable or any money or other amounts due or to become due under any such contract, agreement, instrument or indenture.

"Holding Company": in respect of any Person, any company or corporation of which such Person is a Subsidiary.

"Intellectual Property": the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks and the Trademark Licenses, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"Intercompany Note": any promissory note evidencing loans made by any Grantor to the Company any of its Subsidiaries.

"Investment Property": the collective reference to (i) all "investment property" as such term is defined in Section 9-115 of the New York UCC (other than any Foreign Subsidiary Voting Stock excluded from the definition of "Pledged Stock") and (ii) whether or not constituting "investment property" as so defined, all Pledged Notes and all Pledged Stock.

"Issuers": the collective reference to each issuer of any Investment Property.

"Leica Collateral": as defined in Section 2.3.

"Leica Geosystems": Leica Geosystems, Inc., a Delaware corporation.

"LGS Investments": LGS Investments AG, a Swiss corporation (it being understood that after giving effect to the Closing, the successor in interest to LGS Investments will be Leica Geosystems AG).

"LGS Investments Collateral": as defined in Section 2.1.

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"LGS Holdings": LGS Holdings Inc., a Delaware corporation.

"LGS Holdings Collateral": as defined in Section 2.2.

"New York UCC": the Uniform Commercial Code as from time to time in effect in the State of New York.

"Obligations": the collective reference to the unpaid principal of and interest on the ~~Advances and the Reimbursement Obligations and all other obligations and liabilities~~ of the Borrowers and the Guarantors (including, without limitation, interest accruing at the then applicable rate provided in the Facility Agreement after the maturity of the Advances and Reimbursement Obligations and interest accruing at the then applicable rate provided in the Facility Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrowers, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) to the Security Agent or any Secured Beneficiary (or, in the case of any Bank Hedge Agreement, any Affiliate of any Secured Beneficiary), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, the Facility Agreement, this Agreement, the other Senior Finance Documents, any Standby L/C, any Bank Hedge Agreement or any other document made, delivered or given in connection with any of the foregoing, in each case whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Security Agent or to the Secured Beneficiaries that are required to be paid by the Borrowers pursuant to the terms of any of the foregoing agreements).

"Patents": (i) all letters patent of the United States, any other country or any political subdivision thereof, all reissues and extensions thereof and all goodwill associated therewith, including, without limitation, any of the foregoing referred to in Schedule 5, (ii) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof, including, without limitation, any of the foregoing referred to in Schedule 5, and (iii) all rights to obtain any reissues or extensions of the foregoing.

"Patent License": all agreements, whether written or oral, providing for the grant by or to any Grantor of any right to manufacture, use or sell any invention covered in whole or in part by a Patent, including, without limitation, any of the foregoing referred to in Schedule 5.

"Pledged Notes": all promissory notes listed on Schedule 1, all Intercompany Notes at any time issued to Leica Geosystems and all other promissory notes issued to or held by Leica Geosystems (other than promissory notes issued in connection with extensions of trade credit by Leica Geosystems in the ordinary course of business).

"Pledged Stock": the shares of Capital Stock listed on Schedule 1, together, except in the case of LGS Investments, with any other shares, stock certificates, options or rights of any nature whatsoever in respect of the Capital Stock of any Person that may be issued or granted to, or held by, any Grantor while this Agreement is in effect; provided that in no event shall more than 66% of the total outstanding Foreign Subsidiary Voting Stock (or any voting Capital Stock owned by any Foreign Subsidiary) be required to be pledged hereunder.

"Proceeds": all "proceeds" as such term is defined in Section 9-306(1) of the New York UCC and, in any event, shall include, without limitation, all dividends or other income from the Investment Property, collections thereon or distributions or payments with respect thereto.

"Receivable": any right to payment for goods sold or leased or for services rendered, whether or not such right is evidenced by an Instrument or Chattel Paper and whether or not it has been earned by performance (including, without limitation, any Account).

"Reimbursement Obligation": the obligation of the Borrowers to reimburse the Secured Beneficiaries participating in a Standby L/C under the Facility Agreement for amounts drawn under such Standby L/C.

"Requirement of Law": as to any Person, the Certificate of Incorporation and Bylaws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Government Body, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Secured Beneficiaries": at any time, each Bank, Ancillary Bank, each counterparty (meaning any Bank who enters into or has entered, as the case may be, an Interest Protection Agreement at any time after Closing as permitted and in accordance with the terms of the Facility Agreement and otherwise than the Ancillary Facility), the Security Agent (acting on its own behalf and in its capacity as trustee for the Secured Beneficiaries) and the Facility Agent (acting in its capacity as agent for the Banks) together with their respective successors, assigns and admitted transferees (each, a "**Secured Beneficiary**").

"Securities Act": the Securities Act of 1933, as amended.

"Trademarks": (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and all goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether 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 or any political subdivision thereof, or otherwise, and all common-law rights related thereto, including, without limitation, any of the foregoing referred to in Schedule 5, and (ii) the right to obtain all renewals thereof.

"Trademark License": any agreement, whether written or oral, providing for the grant by or to any Grantor of any right to use any Trademark, including, without limitation, any of the foregoing referred to in Schedule 5.

1.2 Other Definitional Provisions. (a) The words "hereof," "herein", "hereto" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and Schedule references are to this Agreement unless otherwise specified.

(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(c) Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor's Collateral or the relevant part thereof.

SECTION 2. GRANT OF SECURITY INTEREST

2.1 LGS Investments Security Interest. LGS Investments hereby assigns and transfers to the Security Agent, and hereby grants to the Security Agent, for the ratable benefit of the Secured Beneficiaries, a security interest in, all of the following property now owned or at any time hereafter acquired by it or in which it now has or at any time in the future may acquire any right, title or interest (collectively, the "LGS Investments Collateral"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations:

(a) all Pledged Stock;

(b) all books and records pertaining to the LGS Investments Collateral; and

(c) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing.

2.2 LGS Holdings Security Interest. LGS Holdings hereby assigns and transfers to the Security Agent, and hereby grants to the Security Agent, for the ratable benefit of the Secured Beneficiaries, a security interest in, all of the following property now owned or at any time hereafter acquired by it or in which it now has or at any time in the future may acquire any right, title or interest (collectively, the "LGS Holdings Collateral"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations:

(a) all Pledged Stock;

(b) all books and records pertaining to the LGS Holdings Collateral; and

(c) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing.

2.3 Leica Geosystems Security Interest. Leica Geosystems and each Grantor that becomes a party hereto after the date hereof hereby assigns and transfers to the Security Agent, and hereby grants to the Security Agent, for the ratable benefit of the Secured Beneficiaries, a security interest in, all of the following property now owned or at any time hereafter acquired by them or in which they now have or at any time in the future may acquire any right, title or interest (collectively, the "Leica Collateral"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations:

(a) all Accounts;

- ~~(b)~~ all ~~Chattel Paper~~;
- (c) all Documents;
- (d) all Equipment;
- (e) all General Intangibles;
- ~~(f)~~ all ~~Instruments~~;
- (g) all Intellectual Property;
- (h) all Inventory;
- (i) all Investment Property;
- (j) all deposit accounts and other bank accounts;
- (k) all books and records pertaining to the Leica Collateral; and

(l) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing.

SECTION 3. REPRESENTATIONS AND WARRANTIES

To induce the Security Agent and the Banks to enter into the Facility Agreement and to induce the Banks to make their respective extensions of credit to the Borrowers thereunder, each Grantor hereby represents and warrants to the Security Agent and each Secured Beneficiary that:

3.1 Title: No Other Encumbrances. Except for the security interest granted to the Security Agent for the ratable benefit of the Secured Beneficiaries pursuant to this Agreement and the other Encumbrances permitted to exist on the Collateral by the Facility Agreement, such Grantor owns each item of Collateral pledged by such Grantor free and clear of any and all Encumbrances or claims of others. No financing statement or other public notice with respect to all or any part of such Collateral is on file or of record in any public office, except such as have been filed in favor of the Security Agent, for the ratable benefit of the Secured Beneficiaries, pursuant to this Agreement or as are permitted by the Facility Agreement.

3.2 Perfected First Priority Encumbrances. The security interests granted pursuant to this Agreement (a) upon completion of the filings and other actions specified on Schedule 2 (which, in the case of all filings and other documents referred to on said Schedule, have been delivered to the Security Agent in completed and duly executed form) will constitute valid perfected security interests in all of the Collateral pledged by such Grantor in favor of the Security Agent, for the ratable benefit of the Secured Beneficiaries, as collateral security for the Obligations, enforceable in accordance with the terms hereof against all creditors of the Grantors and (b) are prior to all other Encumbrances on such Collateral

in existence on the date hereof except for Encumbrances permitted by the Facility Agreement which have priority over the Encumbrances on such Collateral by operation of law.

3.3 Chief Executive Office. On the date hereof, such Grantor's jurisdiction of organization and the location of such Grantor's chief executive office or sole place of business are specified on Schedule 3.

3.4 Inventory and Equipment. On the date hereof, the Inventory and the Equipment ~~(other than mobile goods)~~ pledged by such Grantor are kept at the locations listed on Schedule 4.

3.5 Farm Products. None of the Collateral constitutes, or is the Proceeds of, Farm Products.

3.6 Investment Property. (a) The shares of Pledged Stock pledged by such Grantor hereunder constitute all the issued and outstanding shares of all classes of the Capital Stock of each Issuer owned by such Grantor or, in the case of Foreign Subsidiary Voting Stock, if less, 66% of the outstanding Foreign Subsidiary Voting Stock of each relevant Issuer.

(b) All the shares of the Pledged Stock pledged by such Grantor have been duly and validly issued and are fully paid and nonassessable.

(c) Each of the Pledged Notes pledged by such Grantor constitutes the legal, valid and binding obligation of the obligor with respect thereto, enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(d) Such Grantor is the record and beneficial owner of, and has good and marketable title to, the Investment Property pledged by it hereunder, free of any and all Encumbrances or options in favor of, or claims of, any other Person, except the security interest created by this Agreement.

3.7 Receivables. (a) No amount payable to such Grantor under or in connection with any Receivable is evidenced by any Instrument or Chattel Paper which has not been delivered to the Security Agent.

(b) None of the obligors on any Receivables pledged by such Grantor is a Government Body.

(c) The amounts represented by such Grantor to the Secured Beneficiaries from time to time as owing to such Grantor in respect of the Receivables will at such times be accurate.

3.8 Intellectual Property. Schedule 5 lists all Intellectual Property owned by Leica Geosystems in its own name on the date hereof.

SECTION 4. COVENANTS

Each Grantor covenants and agrees with the Security Agent and the Secured Beneficiaries that, from and after the date of this Agreement until the Obligations shall have been paid in full, no Standby L/C shall be outstanding and the Commitments shall have terminated:

4.1 Delivery of Instruments, Certificated Securities and Chattel Paper. If any amount payable under or in connection with any of the Collateral pledged by such Grantor shall be or become evidenced by any Instrument, Certificated Security or Chattel Paper, such Instrument, Certificated Security or Chattel Paper shall be immediately delivered to the Security Agent, duly indorsed in a manner satisfactory to the Security Agent, to be held as Collateral pursuant to this Agreement.

4.2 Maintenance of Insurance. (a) Such Grantor will maintain, with financially sound and reputable companies, insurance policies insuring the Inventory and Equipment pledged by such Grantor against loss by fire, explosion, theft and such other casualties as may be reasonably satisfactory to the Security Agent.

(b) All such insurance shall (i) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least 30 days after receipt by the Security Agent of written notice thereof, (ii) name the Security Agent as insured party or loss payee, (iii) if reasonably requested by the Security Agent, include a breach of warranty clause and (iv) be reasonably satisfactory in all other respects to the Security Agent.

4.3 Payment of Obligations. Such Grantor will pay and discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all taxes, assessments and governmental charges or levies imposed upon the Collateral pledged by such Grantor or in respect of income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to such Collateral, except that no such charge need be paid if the amount or validity thereof is currently being contested in good faith by appropriate proceedings, reserves in conformity with GAAP with respect thereto have been provided on the books of such Grantor and such proceedings could not reasonably be expected to result in the sale, forfeiture or loss of any material portion of such Collateral or any interest therein.

4.4 Maintenance of Perfected Security Interest: Further Documentation. (a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 3.2 and shall defend such security interest against the claims and demands of all Persons whomsoever.

(b) Such Grantor will furnish to the Security Agent and the Secured Beneficiaries from time to time statements and schedules further identifying and describing the assets and property of such Grantor and such other reports in connection therewith as the Security Agent may reasonably request, all in reasonable detail.

(c) At any time and from time to time, upon the written request of the Security Agent, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as the Security Agent may reasonably request 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 Uniform Commercial Code (or other similar laws)~~ in effect in any jurisdiction with respect to the security interests created hereby and (ii) in the case of Investment Property and any other relevant Collateral, taking any actions necessary to enable the Security Agent to obtain "control" (within the meaning of the applicable Uniform Commercial Code) with respect thereto.

4.5 Changes in Locations, Name, etc. Such Grantor will not, except upon 15 days' prior written notice to the Security Agent and delivery to the Security Agent of (a) all additional executed financing statements and other documents reasonably requested by the Security Agent to maintain the validity, perfection and priority of the security interests provided for herein and (b) if applicable, a written supplement to Schedule 4 showing any additional location at which Inventory or Equipment shall be kept:

(i) permit any of the Inventory or Equipment to be kept at a location other than those listed on Schedule 4;

(ii) change its jurisdiction of organization or the location of its chief executive office or sole place of business from that referred to in Section 3.3; or

(iii) change its name, identity or corporate structure to such an extent that any financing statement filed by the Security Agent in connection with this Agreement would become misleading.

4.6 Notices. Such Grantor will advise the Security Agent and the Secured Beneficiaries promptly, in reasonable detail, of:

(a) any Encumbrance (other than security interests created hereby or Encumbrances permitted under the Facility Agreement) on any of the Collateral which would adversely affect the ability of the Security Agent to exercise any of its remedies hereunder; and

(b) of the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the security interests created hereby.

4.7 Investment Property. (a) If such Grantor shall become entitled to receive or shall receive any stock certificate (including, without limitation, any certificate representing a stock dividend or a distribution in connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), option or rights in respect of the Capital Stock of any Issuer, whether in addition to, in substitution of, as a conversion of, or in exchange for, any shares of the Pledged Stock, or otherwise in respect thereof, such Grantor shall accept the same as the agent of the Security Agent and the Secured Beneficiaries, hold the same in trust for the Security Agent and the Secured Beneficiaries and deliver the same forthwith to the Security Agent in the exact form received, duly indorsed by such Grantor to the Security Agent, if required, together with an undated stock power covering such certificate duly executed in blank by such Grantor and with, if the Security Agent so requests, signature guaranteed, to be held by the Security Agent, subject to the terms hereof, as additional collateral security for the Obligations. Any sums paid upon or in respect of the Investment Property upon the liquidation or dissolution of any Issuer shall be paid over to the Security Agent to be held by it hereunder as additional collateral security for the Obligations. and in case any distribution

(other than distributions on account of intercompany advances made to an Obligor in the ordinary course of business) shall be made on or in respect of the Investment Property or any property shall be distributed upon or with respect to the Investment Property pursuant to the recapitalization or reclassification of the capital of any Issuer or pursuant to the reorganization thereof, the property so distributed shall, unless otherwise subject to a perfected security interest in favor of the Security Agent, be delivered to the Security Agent to be held by it hereunder as additional collateral security for the Obligations. If any sums of money or property so paid or distributed in respect of the Investment Property shall be received by such Grantor, such Grantor shall, until such money or property is paid or delivered to the Security Agent, hold such money or property in trust for the Secured Beneficiaries, segregated from other funds of such Grantor, as additional collateral security for the Obligations.

(b) Without the prior written consent of the Security Agent, such Grantor will not (i) vote to enable, or take any other action to permit, any Issuer to issue any stock or other equity securities of any nature or to issue any other securities convertible into or granting the right to purchase or exchange for any stock or other equity securities of any nature of any Issuer (except for securities included in Investment Property pledged hereunder), (ii) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Investment Property or Proceeds thereof (except pursuant to a transaction expressly permitted by the Facility Agreement), (iii) create, incur or permit to exist any Encumbrance or option in favor of, or any claim of any Person with respect to, any of the Investment Property or Proceeds thereof, or any interest therein, except for the security interests created by this Agreement or (iv) enter into any agreement or undertaking restricting the right or ability of such Grantor or the Security Agent to sell, assign or transfer any of the Investment Property or Proceeds thereof.

(c) In the case of each Grantor which is an Issuer, such Issuer agrees that (i) it will be bound by the terms of this Agreement relating to the Investment Property issued by it and will comply with such terms insofar as such terms are applicable to it, (ii) it will notify the Security Agent promptly in writing of the occurrence of any of the events described in Section 4.7(a) with respect to the Investment Property issued by it and (iii) the terms of Sections 5.3(c) and 5.7 shall apply to it, mutatis mutandis, with respect to all actions that may be required of it pursuant to Section 5.3(c) or 5.7 with respect to the Investment Property issued by it.

4.8 Receivables. (a) Other than in the ordinary course of business consistent with its past practice, such Grantor will not (i) grant any extension of the time of payment of any Receivable pledged by such Grantor, (ii) compromise or settle any such Receivable for less than the full amount thereof, (iii) release, wholly or partially, any Person liable for the payment of any such Receivable, (iv) allow any credit or discount whatsoever on any such Receivable or (v) amend, supplement or modify any such Receivable in any manner that could adversely affect the value thereof.

(b) Such Grantor will deliver to the Security Agent a copy of each material demand, notice or document received by it that questions or calls into doubt the validity or enforceability of more than 5% of the aggregate amount of the then outstanding Receivables which have been pledged by the Grantor.

4.9 Intellectual Property. Whenever such Grantor which has pledged Intellectual Property hereunder, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any

political subdivision thereof, such Grantor shall report such filing to the Security Agent within five Business Days after the last day of the fiscal quarter in which such filing occurs. Upon request of the Security Agent, such Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents, and papers as the Security Agent may request to evidence the Security Agent's and the Secured Beneficiaries' security interest in any Copyright, Patent or Trademark and the goodwill and general intangibles of such Grantor relating thereto or represented thereby.

4.10 Acknowledgement by Issuers. Such Grantor will cause each Issuer of Pledged Stock owned or at any time hereafter acquired by such Grantor to execute and deliver to the Security Agent an Acknowledgement and Consent in the form of Annex 2.

SECTION 5. REMEDIAL PROVISIONS

5.1 Certain Matters Relating to Receivables. (a) The Security Agent shall have the right to make test verifications of the Receivables pledged under this Agreement in any manner and through any medium that it reasonably considers advisable, and each Grantor shall furnish all such assistance and information as the Security Agent may require in connection with such test verifications. Notwithstanding the foregoing, unless an Event of Default has occurred and is continuing, the Security Agent shall not notify account debtors of its security interest. While an Event of Default has occurred and is continuing, at any time and from time to time, upon the Security Agent's request and at the expense of the relevant Grantor, such Grantor shall cause independent public accountants or others satisfactory to the Security Agent to furnish to the Security Agent reports showing reconciliations, aging and test verifications of, and trial balances for, such Receivables.

(b) The Security Agent hereby authorizes each Grantor to collect such Grantor's Receivables which have been pledged hereunder, and the Security Agent may curtail or terminate said authority at any time after the occurrence and during the continuance of an Event of Default. If required by the Security Agent at any time after the occurrence and during the continuance of an Event of Default, any payments of such Receivables, when collected by any Grantor, (i) shall be forthwith (and, in any event, within two Business Days) deposited by such Grantor in the exact form received, duly indorsed by such Grantor to the Security Agent if required, in a Collateral Account maintained under the sole dominion and control of the Security Agent, subject to withdrawal by the Security Agent for the account of the Secured Beneficiaries only as provided in Section 5.5, and (ii) until so turned over, shall be held by such Grantor in trust for the Security Agent and the Secured Beneficiaries, segregated from other funds of such Grantor. Each such deposit of Proceeds of Receivables shall be accompanied by a report identifying in reasonable detail the nature and source of the payments included in the deposit.

(c) At the Security Agent's request if an Event of Default has occurred and is continuing, each Grantor shall deliver to the Security Agent all original and other documents evidencing, and relating to, the agreements and transactions which gave rise to the Receivables pledged by such Grantor hereunder, including, without limitation, all original orders, invoices and shipping receipts.

5.2 Communications with Obligors: Grantors Remain Liable. (a) The Security Agent in its own name or in the name of others may at any time after the occurrence and during the continuance of an Event of Default communicate with obligors under the Receivables pledged by such Grantor hereunder to verify with them to the Security Agent's satisfaction the existence, amount and terms of any

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(b) Upon the request of the Security Agent at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall notify obligors on the Receivables pledged by such Grantor hereunder that such Receivables have been assigned to the Security Agent for the ratable benefit of the Secured Beneficiaries and that payments in respect thereof shall be made directly to the Security Agent.

(c) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of the Receivables pledged by such Grantor hereunder to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. Neither the Security Agent nor any Secured Beneficiary shall have any obligation or liability under any such Receivable (or any agreement giving rise thereto) by reason of or arising out of this Agreement or the receipt by the Security Agent or any Secured Beneficiary of any payment relating thereto, nor shall the Security Agent or any Secured Beneficiary be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any such Receivable (or any agreement giving rise thereto), to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

5.3 Pledged Stock. (a) Unless an Event of Default shall have occurred and be continuing and the Security Agent shall have given notice to the relevant Grantor of the Security Agent's intent to exercise its corresponding rights pursuant to Section 5.3(b), each Grantor shall be permitted to receive all cash dividends paid in respect of the Pledged Stock and all payments made in respect of the Pledged Notes, in each case paid in the normal course of business of the relevant Issuer and consistent with past practice, to the extent permitted in the Facility Agreement, and to exercise all voting and corporate rights with respect to the Investment Property; ~~provided, however,~~ that no vote shall be cast or corporate right exercised or other action taken which, in the Security Agent's reasonable judgment, would impair the Collateral or which would be inconsistent with or result in any violation of any provision of the Facility Agreement, this Agreement or any other Senior Finance Document.

(b) If an Event of Default shall occur and be continuing and the Security Agent shall give notice of its intent to exercise such rights to the relevant Grantor or Grantors, (i) the Security Agent shall have the right to receive any and all cash dividends, payments or other Proceeds paid in respect of the Investment Property pledged hereunder and make application thereof to the Obligations in such order as the Security Agent may determine, and (ii) any or all of such Investment Property shall be registered in the name of the Security Agent or its nominee, and the Security Agent or its nominee may thereafter exercise (x) all voting, corporate and other rights pertaining to such Investment Property at any meeting of shareholders of the relevant Issuer or Issuers or otherwise and (y) any and all rights of conversion, exchange and subscription and any other rights, privileges or options pertaining to such Investment Property as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of such Investment Property upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate structure of any Issuer, or upon the exercise by any Grantor or the Security Agent of any right, privilege or option pertaining to such Investment Property, and in connection therewith, the right to deposit and deliver any and all of such Investment Property with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as the Security Agent may determine), all without liability except to account for

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property actually received by it, but the Security Agent shall have no duty to any Grantor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(c) Each Grantor hereby authorizes and instructs each Issuer of any Investment Property pledged by such Grantor hereunder to (i) comply with any instruction received by it from the Security Agent in writing that (x) states that an Event of Default has occurred and is continuing and (y) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from such Grantor, and each Grantor agrees that each Issuer shall be fully protected in so complying, and (ii) unless otherwise expressly permitted hereby, pay any dividends or other payments with respect to such Investment Property directly to the Security Agent.

5.4 Proceeds to be Turned Over To Security Agent. In addition to the rights of the Security Agent and the Secured Beneficiaries specified in Section 5.1 with respect to payments of Receivables, if an Event of Default shall occur and be continuing and if required by the Security Agent, all Proceeds received by any Grantor consisting of cash, checks and other near-cash items shall be held by such Grantor in trust for the Security Agent and the Secured Beneficiaries, segregated from other funds of such Grantor, and shall, forthwith upon receipt by such Grantor, be turned over to the Security Agent in the exact form received by such Grantor (duly indorsed by such Grantor to the Security Agent, if required). All Proceeds received by the Security Agent hereunder shall be held by the Security Agent in a Collateral Account maintained under its sole dominion and control. All Proceeds while held by the Security Agent in a Collateral Account (or by such Grantor in trust for the Security Agent and the Secured Beneficiaries) shall continue to be held as collateral security for all the Obligations and shall not constitute payment thereof until applied as provided in Section 5.5.

5.5 Application of Proceeds. At such intervals as may be agreed upon by the Borrowers and the Security Agent, or, if an Event of Default shall have occurred and be continuing, at any time at the Security Agent's election, the Security Agent may apply all or any part of Proceeds held in any Collateral Account in payment of the Obligations in such order as the Security Agent may elect, and any part of such funds which the Security Agent elects not so to apply and deems not required as collateral security for the Obligations shall be paid over from time to time by the Security Agent to the Borrowers or to whomsoever may be lawfully entitled to receive the same. Any balance of such Proceeds remaining after the Obligations shall have been paid in full, no Standby L/C's shall be outstanding and the Commitments shall have terminated shall be paid over to the Borrowers or to whomsoever may be lawfully entitled to receive the same.

5.6 Code and Other Remedies. If an Event of Default shall occur and be continuing, the Security Agent, on behalf of the Secured Beneficiaries, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the New York UCC or any other applicable law. Without limiting the generality of the foregoing, the Security Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Security Agent or any Secured Beneficiary or elsewhere upon such terms and conditions as it may deem **TRADEMARK**

prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Security Agent or any Secured Beneficiary shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the Security Agent's request, to assemble the Collateral and make it available to the Security Agent at places which the Security Agent shall reasonably select, whether at such Grantor's premises or elsewhere. The Security Agent shall apply the net proceeds of any action taken by it pursuant to this Section 5.6, after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Security Agent and the Secured Beneficiaries hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Obligations, in such order as the Security Agent may elect, and only after such application and after the payment by the Security Agent of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the New York UCC, need the Security Agent account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against the Security Agent or any Secured Beneficiary arising out of the exercise by them of any 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 10 days before such sale or other disposition.

5.7 Registration Rights. (a) If the Security Agent shall determine to exercise its right to sell any or all of the Pledged Stock pursuant to Section 5.6, and if in the opinion of the Security Agent it is necessary or advisable to have the Pledged Stock, or that portion thereof to be sold, registered under the provisions of the Securities Act, the relevant Grantor will cause the Issuer thereof to (i) execute and deliver, and cause the directors and officers of such Issuer to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts as may be, in the opinion of the Security Agent, necessary or advisable to register the Pledged Stock, or that portion thereof to be sold, under the provisions of the Securities Act, (ii) use its best efforts to cause the registration statement relating thereto to become effective and to remain effective for a period of one year from the date of the first public offering of the Pledged Stock, or that portion thereof to be sold, and (iii) make all amendments thereto and/or to the related prospectus which, in the opinion of the Security Agent, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. Each Grantor agrees to cause such Issuer to comply with the provisions of the securities or "Blue Sky" laws of any and all jurisdictions which the Security Agent shall designate and to make available to its security holders, as soon as practicable, an earnings statement (which need not be audited) which will satisfy the provisions of Section 11(a) of the Securities Act.

(b) Each Grantor recognizes that the Security Agent may be unable to effect a public sale of any or all the Pledged Stock, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Security Agent shall be under no obligation to delay a sale of any of the Pledged Stock for the period of

~~time necessary to permit the Issuer thereof to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if such Issuer would agree to do so.~~

(c) Each Grantor agrees to use its best efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Pledged Stock pursuant to this Section 5.7 valid and binding and in compliance with any and all other applicable Requirements of Law. Each Grantor further agrees that a breach of any of the covenants contained in this Section 5.7 will cause irreparable injury to the Security Agent and the Secured Beneficiaries, that the Security Agent and the Secured Beneficiaries have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 5.7 shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred under the Facility Agreement.

5.8 Waiver: Deficiency. Each Grantor waives and agrees not to assert any rights or privileges which it may acquire under Section 9-112 of the New York UCC. Each Grantor 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 Security Agent or any Secured Beneficiary to collect such deficiency.

SECTION 6. THE SECURITY AGENT

6.1 Security Agent's Appointment as Attorney-in-Fact, etc. (a) Each Grantor hereby irrevocably constitutes and appoints the Security Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Security Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any or all of the following:

(i) in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Receivable pledged by such Grantor hereunder or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Security Agent for the purpose of collecting any and all such moneys due under any Receivable pledged hereunder or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property pledged by such Grantor hereunder, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Security Agent may request to evidence the Security Agent's and the Secured Beneficiaries' security interest in such Intellectual Property and the goodwill and general intangibles of such Grantor relating thereto or represented thereby;

(iii) pay or discharge taxes and Encumbrances levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iv) execute, in connection with any sale provided for in Section 5.6 or 5.7, any indorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

~~(v) (1) direct any party liable for any payment under any of the Collateral to make~~ payment of any and all moneys due or to become due thereunder directly to the Security Agent or as the Security Agent shall direct; (2) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (3) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (4) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (5) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (6) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Security Agent may deem appropriate; (7) assign any Copyright, Patent or Trademark pledged by such Grantor hereunder (along with the goodwill of the business to which any such Copyright, Patent or Trademark pertains), throughout the world for such term or terms, on such conditions, and in such manner, as the Security Agent shall in its sole discretion determine; and (8) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Security Agent were the absolute owner thereof for all purposes, and do, at the Security Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Security Agent deems necessary to protect, preserve or realize upon the Collateral and the Security Agent's and the Secured Beneficiaries' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

Anything in this Section 6.1(a) to the contrary notwithstanding, the Security Agent agrees that it will not exercise any rights under the power of attorney provided for in this Section 6.1(a) unless an Event of Default shall have occurred and be continuing.

(b) If any Grantor fails to perform or comply with any of its agreements contained herein, the Security Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The expenses of the Security Agent incurred in connection with actions undertaken as provided in this Section 6.1, together with interest thereon at a rate per annum equal to the highest rate per annum at which interest would then be payable on past due Advances under the Facility Agreement, from the date of payment by the Security Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Security Agent on demand.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be

done hereof. All powers, authorizations and agencies contained in this Agreement are coupled

with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

6.2 Duty of Security Agent. The Security Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the New York UCC or otherwise, shall be to deal with it in the same manner as the Security Agent deals with similar property for its own account. Neither the Security Agent, any Secured Beneficiary nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any 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 any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Security Agent and the Secured Beneficiaries hereunder are solely to protect the Security Agent's and the Secured Beneficiaries' interests in the Collateral and shall not impose any duty upon the Security Agent or any Secured Beneficiary to exercise any such powers. The Security Agent and the Secured Beneficiaries shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

6.3 Execution of Financing Statements. Pursuant to Section 9-402 of the New York UCC and any other applicable law, each Grantor authorizes the Security Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as the Security Agent determines appropriate to perfect the security interests of the Security Agent under this Agreement. A photographic or other reproduction of this Agreement shall be sufficient as a financing statement or other filing or recording document or instrument for filing or recording in any jurisdiction.

6.4 Authority of Security Agent. Each Grantor acknowledges that the rights and responsibilities of the Security Agent under this Agreement with respect to any action taken by the Security Agent or the exercise or non-exercise by the Security Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Security Agent and the Secured Beneficiaries, be governed by the Facility Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Security Agent and the Grantors, the Security Agent shall be conclusively presumed to be acting as agent for the Secured Beneficiaries with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

SECTION 7. MISCELLANEOUS

7.1 Amendments in Writing. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with Clause 32 of the Facility Agreement.

7.2 Notices. All notices, requests and demands to or upon the Security Agent or any Grantor hereunder shall be effected in the manner provided for in Clause 33 of the Facility Agreement.

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~~7.3 **No Waiver by Course of Conduct. Cumulative Remedies.** Neither the Security Agent nor any Secured Beneficiary shall by any act (except by a written instrument pursuant to Section 7.1), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Security Agent or any Secured Beneficiary, 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 Security Agent or any Secured Beneficiary of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Security Agent or such Secured Beneficiary would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.~~

7.4 Enforcement Expenses; Indemnification. (a) Each Grantor agrees to pay or reimburse each Secured Beneficiary and the Security Agent for all its costs and expenses incurred in collecting against such Grantor in connection with enforcing or preserving any rights under this Agreement and the other Senior Finance Documents to which such Grantor is a party, including, without limitation, the reasonable fees and disbursements of counsel (including the allocated fees and expenses of in-house counsel) to each Secured Beneficiary and of counsel to the Security Agent.

(b) Each Grantor agrees to pay, and to save the Security Agent and the Secured Beneficiaries harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) Each Grantor agrees to pay, and to save the Security Agent and the Secured Beneficiaries harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent the Borrowers would be required to do so pursuant to Clause 27 of the Facility Agreement.

(d) The agreements in this Section 7.4 shall survive repayment of the Obligations and all other amounts payable under the Facility Agreement and the other Senior Finance Documents.

7.5 Successors and Assigns. This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Security Agent and the Secured Beneficiaries and their successors and assigns; provided that, except pursuant to mergers permitted by Clause 19.5(f) of the Facility Agreement (so long as any successor entity takes such action as is reasonably requested by the Security Agent to preserve the Security Agent's rights and remedies hereunder), no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Security Agent.

7.6 Set-Off. Each Grantor hereby irrevocably authorizes the Security Agent and each Secured Beneficiary at any time and from time to time while an Event of Default pursuant to Clause 21.1(a) of the Facility Agreement shall have occurred and be continuing, without notice to such Grantor or any other Grantor, any such notice being expressly waived by each Grantor, to set-off and appropriate and apply against all deposits (general or special, time or demand, provisional or final) in any currency,

and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Security Agent or such Secured Beneficiary to or for the credit or the account of such Grantor, or any part thereof in such amounts as the Security Agent or such Secured Beneficiary may elect, against and on account of the obligations and liabilities of such Grantor to the Security Agent or such Secured Beneficiary hereunder and claims of every nature and description of the Security Agent or such Secured Beneficiary against such Grantor, in any currency, whether arising hereunder, under the Facility Agreement, any other Senior Finance Document or otherwise, as the Security Agent or such Secured Beneficiary may elect, whether or not the Security Agent or any Secured Beneficiary has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The Security Agent and each Secured Beneficiary shall notify such Grantor promptly of any such set-off and the application made by the Security Agent or such Secured Beneficiary of the proceeds thereof, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Security Agent and each Secured Beneficiary under this Section 7.6 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Security Agent or such Secured Beneficiary may have.

7.7 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

7.8 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

7.9 Section Headings. The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

7.10 Integration. This Agreement and the other Senior Finance Documents represent the agreement of the Grantors, the Security Agent and the Secured Beneficiaries with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Security Agent or any Secured Beneficiary relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the other Senior Finance Documents.

7.11 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

7.12 Submission To Jurisdiction: Waivers. Each Grantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Senior Finance Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the

Courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) ~~agrees that service of process in any such action or proceeding may be effected~~ by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Grantor at its address referred to in Section 7.2 or at such other address of which the Security Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

7.13 Acknowledgements. Each Grantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Senior Finance Documents to which it is a party;

(b) neither the Security Agent nor any Secured Beneficiary has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Senior Finance Documents, and the relationship between the Grantors, on the one hand, and the Security Agent and Secured Beneficiaries, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Senior Finance Documents or otherwise exists by virtue of the transactions contemplated hereby among the Secured Beneficiaries or among the Grantors and the Secured Beneficiaries.

7.14 Additional Grantors. Each Subsidiary of the Company that is required to become a party to this Agreement pursuant to Clause 22(e) of the Facility Agreement shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of an Assumption Agreement in the form of Annex 1 hereto.

7.15 Releases. (a) At such time as the Advances, the Reimbursement Obligations and the other Obligations shall have been paid in full, the Commitments have been terminated and no Standby L/C's shall be outstanding, the Collateral shall be released from the Encumbrances created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Security Agent and each Grantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors. At the request and sole expense of any Grantor following any such termination, the Security Agent shall execute and


~~deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.~~

(b) If any of the Collateral shall be sold, transferred or otherwise disposed of by any Grantor in a transaction permitted by the Facility Agreement, then such Collateral shall be released from the Encumbrances created hereby. The Security Agent, at the request and sole expense of such Grantor, shall execute and deliver to such Grantor all releases or other documents reasonably necessary or desirable for the release of the Encumbrances created hereby on such Collateral.

7.16 WAIVER OF JURY TRIAL. EACH GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN.

IN WITNESS WHEREOF, each of the undersigned has caused this Collateral
ent to be duly executed and delivered as of the date first above written.


LGS INVESTMENTS AG

By: 
Title: *Authorized signatory*

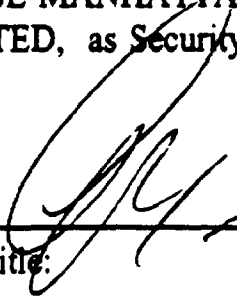
LGS HOLDINGS INC.

By: 
Title: *President*

LEICA GEOSYSTEMS, INC.

By: 
Title: *President*

CHASE MANHATTAN INTERNATIONAL
LIMITED, as Security Agent

By: 
Title: *EMMA MENTZ*

Schedule 1

DESCRIPTION OF INVESTMENT PROPERTY

Pledged Stock:

<u>Issuer</u>	<u>Stockholder</u>	<u>Class of Stock</u>	<u>Stock Certif. No.</u>	<u>No. of Shares</u>
LGS Holdings, Inc.	LGS Investments AG	Common	1	10,000
Leica Geosystems Inc.	LGS Holdings, Inc.	Common	4	100
Leica Technologies Inc.	Leica Geosystems Inc.	Common	3	2,000

Pledged Notes:

<u>Issuer</u>	<u>Payee</u>	<u>Principal Amount</u>
None		

Schedule 2**FILINGS AND OTHER ACTIONS REQUIRED TO PERFECT SECURITY INTERESTS****UNIFORM COMMERCIAL CODE FILINGS***

Leica Geosystems Inc.
 California Secretary of State
 Colorado Secretary of State
 Clerk of Superior Court in Gwinnett County, Georgia
 Kansas Secretary of State
 Secretary of Commonwealth (Massachusetts)
 Woburn City Clerk, Massachusetts
 Michigan Secretary of State
 Texas Secretary of State
 Washington Department of Licensing

PATENT AND TRADEMARK FILINGS

File in U.S. Patent and Trademark Office
 with respect to each patent and trademark
 listed on Schedule 5.

ACTIONS WITH RESPECT TO PLEDGED STOCK

Delivery to Security Agent in New York of share certificates
 of LGS Holdings, Inc., Leica Geosystems Inc. and Leica Technologies Inc.

OTHER ACTIONS

None Contemplated.

* In addition, Leica Geosystems Inc. maintains from time to time, in the ordinary course of business, an immaterial amount of inventory in various jurisdictions (Alabama, Arkansas, Florida, Idaho, Illinois, Iowa, Louisiana, Maine, Maryland, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Tennessee, Utah, Virginia, West Virginia and Wisconsin) with salespersons (on consignment or otherwise), with customers (on a demonstration, temporary replacement or other basis) and at other locations pending sale or other utilization. The Security Agent agrees that no UCC financing statements are to be filed in these jurisdictions with respect to such inventory, but reserves the right to do so in the future. Leica Geosystems Inc. agrees to cooperate with the Security Agent should the Security Agent ever decide to make such filings and agrees to notify the Security Agent should the amount of inventory located in these jurisdictions change materially.

Schedule 3

LOCATION OF JURISDICTION OF ORGANIZATION AND CHIEF EXECUTIVE OFFICE

<u>Grantor</u>	<u>Jurisdiction of Organization</u>	<u>Chief Executive Office</u>
LGS Holdings, Inc.	Delaware	Switzerland
Leica Geosystems Inc.	Delaware	Atlanta, Georgia
LGS Investments AG	Switzerland	Switzerland

Schedule 4

LOCATION OF INVENTORY AND EQUIPMENT

<u>Grantor</u>	<u>Locations</u>
LGS Holdings, Inc.	None
Leica Geosystems Inc.*	Torrance, California Huntington Beach, California Greenwood Village, Colorado Norcross, Georgia Wichita, Kansas Woburn, Massachusetts Livonia, Michigan Houston, Texas Fife, Washington
LGS Investments AG	None

- * In addition, Leica Geosystems Inc. maintains from time to time, in the ordinary course of business, an immaterial amount of inventory in various jurisdictions (Alabama, Arkansas, Florida, Idaho, Illinois, Iowa, Louisiana, Maine, Maryland, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Tennessee, Utah, Virginia, West Virginia and Wisconsin) with salespersons (on consignment or otherwise), with customers (on a demonstration, temporary replacement or other basis) and at other locations pending sale or other utilization. The Security Agent agrees that no UCC financing statements are to be filed in these jurisdictions with respect to such Inventory, but reserves the right to do so in the future. Leica Geosystems Inc. agrees to cooperate with the Security Agent should the Security Agent ever decide to make such filings and agrees to notify the Security Agent should the amount of Inventory located in these jurisdictions change materially.

Schedule 5

COPYRIGHTS AND COPYRIGHT LICENSES

None

PATENT AND PATENT LICENSES

Patent Registration No. 5,576,715*
(Method and Apparatus for digital processing
in a global positioning system receiver)

Patent Application No. 08/449,215
(Method and Apparatus for Code Synchronization
in a GPS Receiver)

TRADEMARK AND TRADEMARK LICENSES

Trademark Registration No. 1,801,433*
(GPS Engine)

Trademark Application No. 75-443447
(Hydrosurveyor)

* Leica Geosystems Inc. possesses documents evidencing its current ownership of this intellectual property right and is in the process of recording such interest consistent with the requirements of this Agreement with the Patent and Trademark Office.

ASSUMPTION AGREEMENT, dated as of _____, 199_, made by _____, a _____ corporation (the "Additional Grantor"), in favor of CHASE MANHATTAN INTERNATIONAL LIMITED, as security agent (in such capacity, the "Security Agent") for the Secured Beneficiaries (as defined in the Collateral Agreement). Unless otherwise indicated, all capitalized terms not defined herein shall have the meaning ascribed to them in such Facility Agreement.

WITNESSETH:

WHEREAS, LGS Holdings AG (the "Company"), Chase Manhattan International Limited, as facility agent, the Banks and the Security Agent have entered into a Facility Agreement, dated as of July 30, 1998 (as amended, supplemented or otherwise modified from time to time, the "Facility Agreement");

WHEREAS, in connection with the Facility Agreement, the Company and certain of its Affiliates (other than the Additional Grantor) have entered into the Collateral Agreement, dated as of October 2, 1998 (as amended, supplemented or otherwise modified from time to time, the "Collateral Agreement") in favor of the Security Agent for the benefit of the Secured Beneficiaries;

WHEREAS, the Facility Agreement requires the Additional Grantor to become a party to the Collateral Agreement; and

WHEREAS, the Additional Grantor has agreed to execute and deliver this Assumption Agreement in order to become a party to the Collateral Agreement;

NOW, THEREFORE, IT IS AGREED:

1. Collateral Agreement. By executing and delivering this Assumption Agreement, the Additional Grantor, as provided in Section 7.14 of the Collateral Agreement, hereby becomes a party to the Collateral Agreement as a Grantor thereunder with the same force and effect as if originally named therein as a Grantor and, without limiting the generality of the foregoing, hereby expressly assumes all obligations and liabilities of a Grantor thereunder. The information set forth in Annex 1-A hereto is hereby added to the information set forth in the Schedules to the Collateral Agreement. The Additional Grantor hereby represents and warrants that each of the representations and warranties contained in Section 3 of the Collateral Agreement is true and correct on and as the date hereof (after giving effect to this Assumption Agreement) as if made on and as of such date.

2. Governing Law. **THIS ASSUMPTION AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.**

IN WITNESS WHEREOF, the undersigned has caused this Assumption Agreement to be duly executed and delivered as of the date first above written.

[ADDITIONAL GRANTOR]

By: _____

Name:

Title:

Supplement to Schedule 1

Supplement to Schedule 2

Supplement to Schedule 3

Supplement to Schedule 4

Supplement to Schedule 5

ACKNOWLEDGEMENT AND CONSENT

The undersigned Issuer referred to in the Collateral Agreement, dated as of October 2, 1998 (as amended, supplemented or otherwise modified from time to time, the "Collateral Agreement"), made by the Grantors in favor of Chase Manhattan International Limited, as Security Agent for the Secured Beneficiaries, hereby acknowledges receipt of a copy thereof and agrees to be bound thereby and to comply with the terms thereof insofar as such terms are applicable to it. The undersigned agrees to notify the Security Agent promptly in writing of the occurrence of any of the event described in Section 4.7 of the Collateral Agreement. The undersigned further agrees that the terms of Section 5.7 of the Collateral Agreement shall apply to it, mutatis mutandis, with respect to all actions that may be required of it under or pursuant to or arising out of Section 5.7 of the Collateral Agreement. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in the Collateral Agreement.

[NAME OF ISSUER]

By: _____

Name:

Title:


Address for Notices:

Fax:

ACKNOWLEDGEMENT AND CONSENT

The undersigned Issuer referred to in the Collateral Agreement, dated as of October 2, 1998 (as amended, supplemented or otherwise modified from time to time, the "Collateral Agreement"), made by the Grantors in favor of Chase Manhattan International Limited, as Security Agent for the Secured Beneficiaries, hereby acknowledges receipt of a copy thereof and agrees to be bound thereby and to comply with the terms thereof insofar as such terms are applicable to it. The undersigned agrees to notify the Security Agent promptly in writing of the occurrence of any of the event described in Section 4.7 of the Collateral Agreement. The undersigned further agrees that the ~~terms of Section 5.7 of the Collateral Agreement shall apply to it.~~ mutatis mutandis, with respect to all actions that may be required of it under or pursuant to or arising out of Section 5.7 of the Collateral Agreement. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in the Collateral Agreement.

LEICA TECHNOLOGIES INC.

By: 
Name: HEGE Johannes
Title: Director

Address for Notices:

Fax:

ACKNOWLEDGEMENT AND CONSENT

The undersigned Issuer referred to in the Collateral Agreement, dated as of October 2, 1998 (as amended, supplemented or otherwise modified from time to time, the "Collateral Agreement"), made by the Grantors in favor of Chase Manhattan International Limited, as Security Agent for the Secured Beneficiaries, hereby acknowledges receipt of a copy thereof and agrees to be bound thereby and to comply with the terms thereof insofar as such terms are applicable to it. The undersigned agrees to notify the Security Agent promptly in writing of the occurrence of any of the event described in Section 4.7 of the Collateral Agreement. The undersigned further agrees that the terms of Section 5.7 of the Collateral Agreement shall apply to it, mutatis mutandis, with respect to all actions that may be required of it under or pursuant to or arising out of Section 5.7 of the Collateral Agreement. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in the Collateral Agreement.

LGS HOLDINGS INC.

By: J. HELL
Name: HELL, JOHANNES J
Title: PRESIDENT


Address for Notices:

Fax:

ACKNOWLEDGEMENT AND CONSENT

The undersigned Issuer referred to in the Collateral Agreement, dated as of October 2, 1998 (as amended, supplemented or otherwise modified from time to time, the "Collateral Agreement"), made by the Grantors in favor of Chase Manhattan International Limited, as Security Agent for the Secured Beneficiaries, hereby acknowledges receipt of a copy thereof and agrees to be bound thereby and to comply with the terms thereof insofar as such terms are applicable to it. The undersigned agrees to notify the Security Agent promptly in writing of the occurrence of any of the event described in Section 4.7 of the Collateral Agreement. The undersigned further agrees that the terms of Section 5.7 of the Collateral Agreement shall apply to it, mutatis mutandis, with respect to all ~~actions that may be required~~ of it under or pursuant to or arising out of Section 5.7 of the Collateral Agreement. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in the Collateral Agreement.

LEICA GEOSYSTEMS, INC.

By: 
Name: Hess Johannes J.
Title: President

Address for Notices:

Fax: