

03-16-2001



101635988

COVER SHEET

U.S. DEPARTMENT OF COMMERCE

FORM PTO-1594  
(Rev 5-93)

TRADEMARK ONLY

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):

ARC SECOND, INC.

Individual(s) citizenship:

Association:

General Partnership:

Limited Partnership:

Corporation - State: VIRGINIA

Other:

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

3. Nature of Conveyance:

[ ] Assignment

[ ] Merger

[X] Security Agreement

[ ] Change of Name

[ ] Other

Execution Date: June 15, 2000

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

Name: IMPERIAL BANK

Address: 226 AIRPORT PARKWAY

City: SAN JOSE State: CA Zip: 95110

Individual(s) citizenship:

Association:

General Partnership:

Limited Partnership:

Corporation - State:

Other: a California chartered bank

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

(Designations must be a separate document from assignment)

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

RECEIVED  
2001 MAR 16 AM 9:32  
ASSIGNMENT SERVICES  
DIVISION

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

A. Trademark Application No.(s)

76/177,899

76/177,928

B. Trademark Registration No.(s)

Additional numbers attached? [ ] Yes [X] No

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

Name: Erin O'Brien

Internal Address: GRAY CARY WARE & FREIDENRICH

400 Hamilton Avenue

Palo Alto, California 94301

6 Total number of applications and registrations involved:

7. Total fee (37 CFR 3.41) . . . . . \$65.00

[X] Enclosed

[ ] Authorized to be charged to deposit account

8. Deposit account number: \_\_\_\_\_

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

DO NOT USE THIS SPACE

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Erin O'Brien

March 15, 2001

Name of Person Signing

Signature

Date

Total number of pages comprising cover sheet: [ 12 ]

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

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

1213 Jefferson Davis Highway, 3rd Floor

Arlington, VA 22202

## INTELLECTUAL PROPERTY SECURITY AGREEMENT

This Intellectual Property Security Agreement (the "Agreement") is made as of June 15, 2000, by and between ARC SECOND, INC., a Virginia corporation ("Grantor"), and IMPERIAL BANK, a California chartered bank ("Secured Party").

### RECITALS

A. Secured Party has agreed to make certain advances of money and to extend certain financial accommodations to Grantor (the "Loans") in the amounts and manner set forth in that certain Credit Agreement dated as of June 15, 2000 (the "Credit Agreement"), that certain Promissory Note dated as of June 15, 2000, and that certain Commercial Security Agreement dated as of June 15, 2000, collectively, the "Loan Documents" (all capitalized terms used herein without definition shall have the meanings ascribed to them in the Loan Documents).

B. Secured Party is willing to make the Loans to Grantor, but only upon the condition, among others, that Grantor shall grant to Secured Party a security interest in all of Grantor's right, title, and interest in, to and under all of the Collateral whether presently existing or hereafter acquired

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. Grant of Security Interest. As collateral security for the prompt and complete payment and performance of all of Grantor's present or future indebtedness, obligations and liabilities to Secured Party, Grantor hereby grants a security interest and mortgage to Secured Party, as security, in and to Grantor's entire right, title and interest in, to and under the following (all of which shall collectively be called the "Collateral"):

(a) Any and all copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret, now or hereafter existing, created, acquired or held, including without limitation those set forth on Exhibit A attached hereto (collectively, the "Copyrights");

(b) Any and all trade secrets, and any and all intellectual property rights in computer software and computer software products now or hereafter existing, created, acquired or held;

(c) Any and all design rights which may be available to Grantor now or hereafter existing, created, acquired or held;

(d) All patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same, including without limitation the patents and patent applications set forth on Exhibit B attached hereto (collectively, the "Patents");

(e) Any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Grantor connected with and symbolized by such trademarks, including without limitation those set forth on Exhibit C attached hereto (collectively, the "Trademarks");

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

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

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

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

(j) Notwithstanding the foregoing, <sup>they are</sup> the security interest granted herein does not extend to and the term "Collateral" does not include any license or contract rights to the extent (A) the granting of a security interest in it would be contrary to applicable law, or (B) with respect to the Spectra Precision Agreement <sup>is</sup> ~~that is~~ <sup>is</sup> existing as of the date of this Agreement that <sup>is</sup> ~~is~~ nonassignable by <sup>its</sup> ~~its~~ terms (but only to the extent such prohibition is enforceable under applicable law, including, without limitation, Section 9318(4) of the Code) without the consent of the other party (but only to the extent such consent cannot reasonably be obtained). *SP*

2. Authorization and Request. Grantor authorizes and requests that the Register of Copyrights and the Commissioner of Patents and Trademarks record this security agreement.

3. Covenants and Warranties. Grantor represents, warrants, covenants and agrees as follows:

(a) Subject to Permitted Liens under the Loan Documents, Grantor is now the sole owner of the Collateral, except for non-exclusive licenses granted by Grantor to its customers in the ordinary course of business (as used in this Agreement, the term "non-exclusive license" shall include those licenses that have been licensed on an exclusive basis for a particular field of use), subject to Permitted Liens under the Loan Documents;

(b) Except as set forth in the Schedule as of the date of this Agreement, Grantor's rights as a licensee of intellectual property do not give rise to more than five percent (5%) of its gross revenue in any given month, including without limitation revenue derived from the sale, licensing, rendering or disposition of any product or service;

(c) Except as disclosed in an attached schedule approved by Secured Party, performance of this Agreement does not conflict with or result in a breach of any material agreement to which Grantor is party or by which Grantor is bound;

(d) During the term of this Agreement, Grantor will not transfer or otherwise encumber any interest in the Collateral, except for non-exclusive licenses granted by Grantor in the ordinary course of business, the Permitted Liens under the Credit Agreement or as set forth in this Agreement.

(e) Prior to entering into or becoming bound by any inbound (i.e. Grantor is the licensee) license or agreement that is reasonably likely to have a material impact on Grantor's business or financial condition, Grantor shall: (i) provide written notice to Secured Party of the material terms of such license or agreement with a description of its likely impact on Grantor's business or financial condition; and (ii) take such steps as Secured Party requests to obtain the consent of, or waiver by, any person whose consent or waiver is necessary for Grantor's interest in such licenses or contract rights to be deemed Collateral and for Secured Party to have a security interest in it that might otherwise be restricted by the terms of the applicable license or agreement, whether now existing or entered into in the future;

(f) To its knowledge, each of the Patents is valid and enforceable, and no part of the Collateral has been judged invalid or unenforceable, in whole or in part, and no claim has been made that any part of the Collateral violates the rights of any third party;

(g) Grantor shall deliver to Secured Party within thirty (30) days of the last day of each fiscal quarter, a report signed by Grantor, in form reasonably acceptable to Secured Party, listing any applications or registrations that Grantor has made or filed in respect of any patents, copyrights or trademarks and the status of any outstanding applications or registrations. Grantor shall promptly advise Secured Party of any material change in the composition of the Collateral, including but not limited to any subsequent ownership right of the Grantor in or to any Trademark, Patent or Copyright not specified in this Agreement;

(h) Grantor shall (i) protect, defend and maintain the validity and enforceability of the Trademarks, Patents and Copyrights that are material to its business (ii) use commercially reasonable efforts to detect infringements of the Trademarks, Patents and Copyrights and promptly advise Secured Party in writing of material infringements detected and (iii) not allow any material Trademarks, Patents or Copyrights to be abandoned, forfeited or dedicated to the public without the written consent of Secured Party, which shall not be unreasonably withheld unless Grantor determines that commercially reasonable business practices suggest that abandonment, forfeiture or dedication to the public is appropriate;

(i) Grantor shall apply for registration on an expedited basis (to the extent not already registered) with the United States Patent and Trademark Office or the United States Copyright Office, as applicable: (i) those intellectual property rights listed on Exhibits A, B and C hereto within thirty (30) days (or sixty (60) days for applications already in process) of the date of this Agreement; (ii) all registerable intellectual property rights Grantor has developed as of the date of this Agreement but heretofore failed to register that are "productized" or function as a stand alone product or are of material value to Borrower in their individual state (collectively, "Product"), within thirty (30) days of the date of this Agreement (or sixty (60) days for applications already in process); and (iii) those additional intellectual property rights developed or acquired by Grantor from time to time in connection with any Product, prior to the sale or licensing of such Product to any third party or within thirty (30) days of Grantor's use of such Product (including without limitation revisions or additions to the intellectual property rights listed on such Exhibits A, B and C); provided, however, that nothing herein shall require Grantor to register any intellectual property rights that have been exposed to the public domain prior to Borrower's acquisition of such rights. Grantor shall, from time to time, execute and file such other instruments, and take such further actions as Secured Party may reasonably request from time to time to perfect or continue the perfection of Secured Party's interest in the Collateral Grantor shall give Secured Party notice of all such applications or registrations;

(j) Subject to the Permitted Liens under the Credit Agreement, this Agreement creates, and in the case of after acquired Collateral, this Agreement will create at the time Grantor first has rights in such after acquired Collateral, in favor of Secured Party a valid and perfected first priority security interest in the Collateral in the United States securing the payment and performance of the obligations evidenced by the Loan Documents upon making the filings referred to in clause (j) below;

(k) To its knowledge, except for, and upon, the registration and filing with the United States Patent and Trademark office with respect to the Patents and Trademarks and the Register of Copyrights with respect to the Copyrights necessary to perfect the security interests created hereunder, and except as has been already made or obtained, no authorization, approval or other action by, and no notice to or filing with, any United States governmental authority or United States regulatory body is required either (i) for the grant by Grantor of the security interest granted hereby or for the execution, delivery or performance of this Agreement by Grantor in the United States or (ii) for the perfection in the United States or the exercise by Secured Party of its rights and remedies hereunder;

(l) All information heretofore, herein or hereafter supplied to Secured Party by or on behalf of Grantor with respect to the Collateral is accurate and complete in all material respects when supplied;

(m) Grantor shall not enter into any agreement that would materially impair or conflict with Grantor's obligations hereunder without Secured Party's prior written consent, which consent shall not be unreasonably withheld. Grantor shall not permit the inclusion in any material contract to which it becomes a party of any provisions that would be reasonably likely to prevent the creation of a security interest in Grantor's rights and interests in any property included within the definition of the Collateral acquired under such contracts; provided, however, that unless an Event of Default under and as defined in the Credit Agreement is continuing, Grantor may grant licenses in the ordinary course of business to enable Grantor to conduct its business in a manner consistent with past practice; and

(n) Upon any executive officer of Grantor obtaining actual knowledge thereof, Grantor will promptly notify Secured Party in writing of any event that materially adversely affects the value of any Collateral, the ability of Grantor to dispose of any Collateral or the rights and remedies of Secured Party in relation thereto, including the levy of any legal process in excess of \$100,000 against any of the Collateral.

4. Secured Party's Rights. Secured Party shall have the right, but not the obligation, to take, at Grantor's sole expense, any actions that Grantor is required under this Agreement to take but which Grantor fails to take, after fifteen (15) days' notice to Grantor. Grantor shall reimburse and indemnify Secured Party for all reasonable costs and reasonable expenses incurred in the reasonable exercise of its rights under this section 4.

5. Inspection Rights. Grantor hereby grants to Secured Party and its employees, representatives and agents the right to visit, during reasonable hours upon prior reasonable written notice to Grantor but no more than once annually if an Event of Default is not then continuing, any of Grantor's plants and facilities that manufacture, install or store products (or that have done so during the prior six-month period) that are sold utilizing any of the Collateral, and to inspect the products and quality control records relating thereto upon reasonable written notice to Grantor and as often as may be reasonably requested.

6. Further Assurances; Attorney in Fact.

(a) Subject to Section 3(i), on a continuing basis, Grantor will make, execute, acknowledge and deliver, and file and record in the proper filing and recording places in the United States, all such instruments, including appropriate financing and continuation statements and collateral agreements and filings with the United States Patent and Trademark Office and the Register of Copyrights, and take all such action as may reasonably be deemed necessary or advisable, or as requested by Secured Party, to perfect Secured Party's security interest in all Copyrights, Patents and Trademarks and otherwise to carry out the intent and purposes of this Agreement, or for assuring and confirming to Secured Party the grant or perfection of a security interest in all Collateral.

(b) Grantor hereby irrevocably appoints Secured Party as Grantor's attorney-in-fact, with full authority in the place and stead of Grantor and in the name of Grantor, from time to time in Secured Party's discretion, to take any action and to execute any instrument which Secured Party may deem necessary or advisable to perfect or maintain its security interest under this Agreement, including (i) to modify, in its sole discretion, this Agreement without first obtaining Grantor's approval of or signature to such modification by amending Exhibit A, Exhibit B and Exhibit C, thereof, as appropriate, to include reference to any right, title or interest in any Copyrights, Patents or Trademarks acquired by Grantor after the execution hereof or to delete any reference to any right, title or interest in any Copyrights, Patents or Trademarks in which Grantor no longer has or claims any right, title or interest, (ii) to file, in its sole discretion, one or more financing or continuation statements and amendments thereto, relative to any of the Collateral without the signature of Grantor where permitted by law and (iii) after the occurrence of an Event of Default, to transfer the Collateral into the name of Secured Party or a third party to the extent permitted under the California Uniform Commercial Code; provided that Secured Party complies with any notice requirements set forth in the Loan Documents.

7. Events of Default. The occurrence of any of the following shall constitute an Event of Default under the Agreement:

(a) A default or an Event of Default occurs under the Loan Documents; or

(b) Grantor breaches any warranty or agreement made by Grantor in this Agreement and, as to any breach that is capable of cure, Grantor fails to cure such breach within twenty (20) days of the occurrence of such breach.

8. Remedies. Upon the occurrence and continuance of an Event of Default, Secured Party shall have the right to exercise all the remedies of a secured party under the California Uniform Commercial Code, including without limitation the right to require Grantor to assemble the Collateral and any tangible property in which Secured Party has a security interest and to make it available to Secured Party at a place designated by Secured Party. Secured Party shall have a nonexclusive, royalty free license to use the Copyrights, Patents and Trademarks to the extent reasonably necessary to permit Secured Party to exercise its rights and remedies upon the occurrence of an Event of Default. Grantor will pay any expenses (including reasonable attorneys' fees) incurred by Secured Party in connection with the exercise of any of Secured Party's rights hereunder, including without limitation any expense incurred in disposing of the Collateral. All of Secured Party's rights and remedies with respect to the Collateral shall be cumulative.

9. Indemnity. Grantor agrees to defend, indemnify and hold harmless Secured Party and its officers, employees, and agents against: (a) all obligations, demands, claims, and liabilities claimed or asserted by any other party in connection with the transactions contemplated by this Agreement, and (b) all losses or expenses in any way suffered, incurred, or paid by Secured Party as a result of or in any way arising out of, following or consequential to transactions between Secured Party and Grantor, whether under this Agreement or otherwise (including without limitation reasonable attorneys' fees and reasonable expenses), except for losses arising from or out of Secured Party's gross negligence or willful misconduct.

10. Course of Dealing. No course of dealing, nor any failure to exercise, nor any delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

11. Attorneys' Fees. If any action relating to this Agreement is brought by either party hereto against the other party, the prevailing party shall be entitled to recover reasonable attorneys' fees, costs and disbursements.

12. Amendments. This Agreement may be amended only by a written instrument signed by both parties hereto.

13. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute the same instrument.

14. Termination. Notwithstanding any termination, Secured Party's lien on the Collateral shall remain in effect for so long as any obligations under the Loan Documents remain outstanding. Following termination of the Loan Documents, and when no obligations under the Loan Documents remain outstanding, Secured Party shall execute all instruments as may be reasonably necessary to evidence the termination of Secured Party's security interest in the Collateral.

15. California Law and Jurisdiction; Jury Waiver. This Agreement shall be governed by the laws of the State of California, without regard for choice of law provisions. Grantor and Secured Party consent to the exclusive jurisdiction of any state or federal court located in Santa Clara County, California. GRANTOR AND SECURED PARTY EACH WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THE LOAN DOCUMENTS, THIS AGREEMENT, OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

GRANTOR:

Address of Grantor:

44880 Falcon Place, Suite 100  
Dulles, VA 20166

Attn: Mr. Edward Barrientos, CEO

ARC SECOND, INC

By: [Signature]

Its: President and Chief Executive Officer

By: [Signature]

Its: Vice President Finance and Administration

By: [Signature]

Its: Chief Operating Officer and Secretary

Address of Secured Party:

226 Airport Parkway  
San Jose, CA 95110-1024

Attn: Corporate Banking Center

SECURED PARTY

IMPERIAL BANK

By: [Signature] - Pete Gibson

Its: Vice President

Exhibit A

Copyrights

REGISTERED COPYRIGHTS

Description	Registration Number	Registration Date / Copyright Date
Position calculation engine 509 firmware version P2.6:1b10	In Process	
Arc Second Survey application software version 2.3	In Process	
LaserStation application software version 1b02 (user interface) [509 target]	In Process	
PocketCad application software version 2.0	In Process	

UNREGISTERED COPYRIGHTS

Description	Copyright Date
Transmitter electronic printed circuit board	1998-1999
Transmitter motor/misc. control FPGA firmware	1998-1999
Laser diode power supply printed circuit board	1999
Strobe electronics printed circuit board	1998-1999
Position calculation engine printed circuit board PCE I	1998
Position calculation engine FPGA firmware for PCE I	1998-1999
Position calculation engine printed circuit board PCE II	1998-1999
Position calculation engine FPGA firmware for PCE II	1998-1999
Position calculation engine printed circuit board PCE III	1998-2000
Position calculation engine FPGA firmware for PCE III	1998-2000
Position calculation engine w/amp printed circuit board for LaserStation	1998-2000
Position calculation engine FPGA firmware for LaserStation	1998-2000
Kite's amp w/threshold printed circuit board	1996-2000
Toothpick printed circuit board	1999
Cradle printed circuit board	1999
Vulcan measurement system marketing brochures	1999-2000
Trades product use cases and user interface screens	1999-2000
ArcSecond link software	1998
Analog electronics printed circuit board	1998
Arc Load Software	1998-2000
Arc Setting Software	1998-2000



Exhibit B

Patents

Description	Registration / Serial Number
<b>Issued US Patents</b>	
Lundberg et al. Spatial Positioning System	5,100,229
Dornbusch et al. Spatial Positioning and Measurement System	5,110,202
Beliveau et al. Spatial Measurement Recovery System	5,247,487
Dornbusch et al. Spatial Positioning System	5,294,970
Pratt, et al. Transmitter and Receiver Units for Spatial Measurement System	5,461,473
Pratt, et al. Transmitter and Receiver Units for Spatial Position Measurement System	5,579,102
<b>US Patent Applications</b>	
Pratt et al. Rotating Head Optical Transmitter for Position Measurement System	09/417,112
Hedges et al. Low Cost Transmitter with Calibration Means for Use in Position Measurement Systems	ARC-002
Hedges et al. Improved Method and Optical Receiver with Easy Setup Means for Use in Position Measurement Systems	ARC-004
Skolnick et al. Method and System for Creating a User-Selectable Arbitrary Coordinate Frame	ARC-006
<b>US Provisional Application</b>	
Spatial Positioning Instrument Requiring Only a Single Low Cost Transmitter	-
<b>PCT Application</b>	
	PCT/US91/05797
	PCT/US92/05132
	PCT/US92/07615
Pratt et al. Rotating Head Optical Transmitter for Position Measurement System	PCT/US99/23615
Hedges et al. Low Cost Transmitter with Calibration Means for Use in Position Measurement Systems	PCT/US00/07504
Hedges et al. Improved Method and Optical Receiver with Easy Setup Means for Use in Position Measurement Systems	PCT/US/07445
Skolnick et al. Method and System for Creating a User-Selectable Arbitrary Coordinate Frame	PCT/US00/07446

Description	Registration / Serial Number
<b>Belgium</b>	
	EP0543954
	EP0659265
<b>Canada</b>	
	2,089,662
	2,111,117
	2143838
<b>EPC</b>	
	EP0543954
	92914081.2
	EP0659265
	96103325.5
<b>France</b>	
	EP0543954
	EP0659265
	96103325.5
<b>Germany</b>	
	69122965.1
	69224671.1
	96103325.5
<b>Great Britain</b>	
	EP0543954
	EP0659265
	96103325.5
<b>Italy</b>	
	EP0543954
	EP0659265
<b>Japan</b>	
	3-518241
	5-501105
	6-507148
<b>South Korea</b>	
	700449/93
<b>Switzerland/Liechtenstein</b>	
	EP0543954
	EP0659265
	96103325.5

Exhibit C

Trademarks

<u>Description</u>	<u>Serial/Registration Number</u>
Arc Second	75/418,932
Arc Second	75/432,347
3D Intelligence	75/732,174
3D Intelligent	75/822,740
3D Intelligent	75/872,475
Vulcan	75/896,763
On Demand 3D	75/679,340
Design Only	2,308,571
The Mobile CAD Standard	76/177,899
3D-Intelligence	76/177,928

Schedule to the Intellectual Property Agreement

3 (b).

None

3 (c).

Spectra Precision Agreement

~~Kelly~~  
None  
pla