

4/7/98

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07-29-1999



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OMB No. 0651-0011 (exp. 4/98)

Tab settings

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

1. Name of conveying party(ies):

INNOVADENT TECHNOLOGIES LTD.

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

2. Name and address of receiving party(ies)

Name: Business Development Bank of Canada

Internal Address: (same as street address)

Street Address: 5 Place Ville-Marie

Suite 12525, Plaza Level

City: Montreal State: Quebec ZIP: H3B 5E7

Country: Canada

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

3. Nature of conveyance:

Assignment

Merger

Security Agreement

Change of Name

Execution Date: March 26, 1998

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

If this document is being filed together with a new application, the execution date of the application is: _____

A. Patent Application No.(s)

B. Patent No.(s)

5,342,197

5,055,045

Additional numbers attached? Yes No

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

Name: Dimitri Maniatis c/o Langlois Gaudreau

Internal Address: (same as street address)

Street Address: 1002 Sherbrooke West

28th Floor

City: Montreal State: Quebec ZIP: H3A 3L6

Country: Canada

6. Total number of applications and patents involved:

7. Total fee (37 CFR 3.41).....\$ already enclosed

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.

Dimitri Maniatis
Name of Person Signing

Signature

July 26, 1999
Date

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

MOVEABLE HYPOTHEC



GRANTED BY **INNOVADENT TECHNOLOGIES LTD.**, herein represented by Joel Strickland, its President, duly authorized in virtue of the resolution hereto annexed (hereinafter the "Grantor") in favour of **BUSINESS DEVELOPMENT BANK OF CANADA**, herein represented by Nick Photiades, Assistant Vice-President, Venture Capital Division (hereinafter referred to as the "Creditor") in connection with all liabilities of Grantor towards the Creditor.

1. AMOUNT OF THE HYPOTHEC

The amount for which the Hypothec is granted shall be composed of a sum of up to Two Hundred Fifty Thousand Dollars (\$250,000.00) and of an additional sum equivalent to twenty percent (20%) of the aforementioned amount, which shall secure all costs, the whole with interest from the date of this agreement at a rate of fifteen percent (15%) per annum.

2. SECURED OBLIGATIONS

The Hypothec shall secure payment of all of the Grantor's obligations, direct or indirect, incurred toward the Creditor (whether such obligations result from a loan, line of credit or any other agreement which may result in advances of monies, overdraft facilities or protection, issuance of a guarantee, letters of credit, bills of exchange or any other financial advantage whatsoever which may be procured by the Creditor) as well as the Grantor's obligations resulting from a suretyship, an endorsement, an interest rate or other treasury instrument swap agreement, or any other engagement as such obligations are, from time to time, modified, extended or renewed. The Hypothec further secures all obligations falling within the above description which do not yet exist, but which represent future obligations or will result from future agreements with the Creditor.

Any future obligation hereby secured shall be deemed to be one in respect of which the Grantor has once again obligated itself hereunder.

3. HYPOTHEC: DESCRIPTION OF CHARGED PROPERTY

The Grantor hereby hypothecates in favour of the Creditor the following property (hereinafter the "Charged Property") and, with respect to incorporeal or intangible property, property located outside of the Province of Quebec or used in more than one jurisdiction, creates a security interest (the hypothec and the security interest hereinafter collectively referred to as the "Hypothec"):

3.1 The following universalities of property, present and future:

3.1.1 property in stock and inventory;

3.1.2 claims, receivables and book debts;

3.1.3 securities;

3.1.4 equipment and road vehicles;

3.1.5 trademarks, patents and intellectual property rights;

3.1.6 equipment and machinery;

- 3.2 The universality of all moveable property, corporeal or incorporeal which are not included in what is described in paragraph 3.1;
- 3.3 The following universality of property, present and future:
- 3.3.1 all fruits and revenues emanating from the above Charged Property, negotiable instruments, bills, commercial paper, securities, monies, compensation for expropriation given or paid following a sale, repurchase, distribution or any other operation concerning any property hereby charged in favour of the Creditor or which has been charged under any other deed;

All Charged Property which shall be acquired, transformed or manufactured after the date of this agreement shall be charged with the Hypothec, whether or not such Charged Property has been acquired in replacement of other Charged Property which may have been alienated by the Grantor in the ordinary course of business, whether or not such property results from a transformation, mixture or combination of any Charged Property, and in the case of securities, whether or not they have been issued pursuant to the purchase, redemption, conversion or cancellation or any other transformation of the charged securities and without the Creditor being required to register or re-register any notice whatsoever, the object of the Hypothec being a universality of present and future property.

4. DEFINITIONS

The Terms set out below have the following meaning:

4.1 Property in Stock

Property in stock possessed by the Grantor or held on its behalf, including raw materials or other materials, goods manufactured or transformed, or in the process of being so, by the Grantor or by others, or property used for packaging, property held by a third party under a lease, a leasing agreement, franchise or license agreement or any other agreement entered into with the Grantor, animals, property evidenced by bill of lading, animals, mineral substances, hydrocarbons and other products of the soil as well as all fruits thereof, from the time of their extraction, or any other corporeal or incorporeal property (hereinafter the "Property in stock").

Property having formed part of the Property in stock which has been alienated by the Grantor in favour of third person but in respect of which the Grantor has retained title pursuant to a reservation of ownership provision, shall remain charged with the Hypothec until title is transferred; any Property in stock the ownership of which reverts to the Grantor pursuant to a resolution, resiliation or repossession is also subject to the Hypothec.

4.2 Claims, book debts and other moveable property

4.2.1 Claims, receivables and book debts

All of the Grantor's claims, whatever their cause or nature, whether or not they are certain, liquid or exigible; whether or not evidenced by any title (and whether or not such title is negotiable), bill of exchange or draft; whether litigious or not; whether or not they have been invoiced; whether or not they constitute book debts. Hypothecated claims shall include: (i) indemnities payable to the Grantor under any contract of insurance of property, of persons, or

of liability insurance, subject to the rights of creditors holding hypothecs on the insured property and (ii) the Grantor's rights in the credit balance of accounts held for its benefit either by the Creditor (subject to the Creditor's compensation rights) or by any financial institution or any other person.

4.2.2 Rights of action

The Grantor's rights of action against third persons.

4.2.3 Accessories

The securities, suretyships and accessories to the claims and rights mentioned above and other rights relating thereto (including, without limitation, the rights of the Grantor in its capacity as seller under a conditional sale, where the claims are the result of such sale).

4.2.4 Moveable Property

All moveable property owned by the Grantor and covered by the conditional sale mentioned in paragraph 4.2.3 hereof.

A right or a claim shall not be excluded from the Charged Property by reason of the fact that: (i) the debtor thereof is domiciled outside the Province of Quebec or (ii) the debtor thereof is an affiliate (as such term is defined in the *Canada Business Corporations Act*) of the Grantor (regardless of the law of the jurisdiction of its incorporation) or, (iii) where the Grantor is not a natural person, such right or claim is not related to the operation of the Grantor.

4.3 Securities

All securities (including stocks, bonds, obligations, rights, options, warrants, debt securities, investment certificates, units in mutual funds) issued or to be issued in favour of the Grantor by the corporations or partnerships listed in Schedule "A", as well as all those which are delivered by the Grantor to the Creditor from time to time.

4.4 Equipment and road vehicles

The equipment, office furniture, tools, machinery, rolling stock (including road vehicles), spare parts and additions.

4.5 Trademarks, patents and other intellectual property rights

Rights in any trademarks, copyright, industrial design, patent, invention, trade secret, know-how, plant breeders' right, topography of integrated circuits and in any other intellectual property right, including, if any, improvements and modifications thereto as well as rights in any action pertaining to the protection, in Canada or abroad, of any such intellectual property rights.

5. ADDITIONAL PROVISIONS TO THE HYPOTHEC ON CLAIMS

5.1 Recovery

The Creditor shall be at liberty to recover all claims and other Charged Property referred to in paragraph 3.1.1, in accordance with what is provided

for by law; it may further exercise any rights regarding such property, more particularly, it may grant or refuse any consent which may be required from the Grantor in its capacity as owner of such property, and shall not, in the exercise of such right, be required to obtain the consent of the Grantor or serve the Grantor any notice thereof, nor shall it be under any obligation to establish that the Grantor has refused or neglected to exercise such rights.

5.2 Authorization to recover

The Creditor hereby authorizes the Grantor to recover all claims and other Charged Property referred to in paragraph 3.1.1. Such authorization may be revoked at any time by the Creditor in accordance with what is provided for by law and the Creditor shall then be at liberty to effect such recovery; the Creditor may further grant delays, take or abandon any securities, transact with debtors of the hypothecated claims, make compromises, grant releases and generally deal at its discretion with matters concerning all Charged Property referred to in paragraph 3.1.1 without the intervention or consent of the Grantor. Where, in spite of such authorization being revoked, any sums payable under such claims and property is paid to the Grantor, it shall receive same as mandatory of the Creditor and shall return same to the Creditor, upon demand.

5.3 Assignment of claims subject to the Financial Administration Act

The Grantor hereby assigns to the Creditor by way of absolute assignment all its present and future claims which are subject to Sections 67 and 68 of the *Financial Administration Act*, as collateral and continuing guarantee of all secured obligations referred to in paragraph 2 hereof. The Creditor shall, at all times, be at liberty to exercise the formalities required by law in order for such transfer to become enforceable.

Claims assigned pursuant to this paragraph shall be deemed to constitute Charged Property for the purpose of paragraphs 7, 8 and 10.

6. ADDITIONAL PROVISIONS TO THE HYPOTHEC ON SECURITIES

The Creditor may, if it deems it useful to protect its rights in and to the hypothecated securities, register itself or a nominee on its behalf in the issuer's appropriate registers as the holder of such securities; in such case:

- 6.1 all voting rights and any other right attached to such securities shall be exercised by the Creditor or on its behalf;
- 6.2 the Creditor shall collect revenues, dividends and capital distributions and shall be at liberty, either to hold them as Charged Property or to apply them in reduction of the secured obligations.

The Creditor shall be at liberty to give the Grantor a proxy, revocable at any time, authorizing it to exercise, in whole or in part, all voting rights and any other rights attached to such securities.

7. REPRESENTATIONS AND WARRANTIES

The Grantor hereby represents and warrants that:

- 7.1 it operates an enterprise and all Charged Property is part of such enterprise;

- 7.2 it has the capacity and the powers necessary to grant the Hypothec and to bind itself as herein provided for; execution of this agreement, compliance with its provisions and performance of its covenants shall not entail or result in any violation or default of any other agreement or document to which the Grantor is bound;
- 7.3 it is the unconditional and absolute owner of the Charged Property, except for future property, and all such property is free and clear of any priority, hypothec, charge, security, seizure by garnishment, right of resolution or repossession or of any other rights whatsoever existing in favour of persons other than the Creditor;
- 7.4 it uses no business or firm name other than referred to in Schedule "A" hereof;
- 7.5 where it is a legal person or partnership
- 7.5.1 it is duly incorporated and in good standing under the law of its jurisdiction of incorporation;
- 7.5.2 this agreement has been duly authorized by resolution or by any other necessary action under its constating documents, by-laws or otherwise, in order to give it full effect and to render its obligations fully executory; furthermore;
- 7.5.3 this agreement has been executed by duly authorized persons.
- 7.6 there exists no shareholder agreement in connection with securities which are charged under this agreement other than that which the Creditor has acknowledged receipt before or on the date hereof. There exists no restriction in the statutes or other constating documents regarding the assignment or transfer of such securities;
- 7.7 Except for property referred to in paragraph 3.1.1 above, it does not, in the ordinary course of its business sell property similar to or of the same nature as the Charged property.

8. COVENANTS

The Grantor hereby covenants:

- 8.1 to maintain the Charged Property free and clear of any conventional or legal hypothec, prior claim under Articles 2650 et seq. of the Civil Code of Quebec, charge, security, garnishment, right of resolution or repossession or any other right in favour of a person or persons other than the Creditor;
- 8.2 to inform the Creditor in writing:
- of any change whatsoever in its name and business name or in the representations and warranties hereinabove mentioned in Section 7;
 - of the name of any surety which may have guaranteed the payment of claims and other Charged Property mentioned in paragraph 3.1;
 - of any security, hypothec or priority created, as well as of any property right retained or assigned, for the purpose of securing claims and other

Charged Property referred to in paragraph 3.1 and, in such cases, to provide the Creditor, upon demand, with satisfactory proof that such security or hypothec has been published in accordance with applicable law in order for the rights of the Creditor to be enforceable against third persons;

- 8.3 to inform the Creditor of any new claim subject to paragraph 5.3;
- 8.4 to provide the Creditor with any information with respect to the Charged Property as it may reasonably request in order to determine whether or not the Grantor complies with the provisions hereof. The Grantor shall inform the Creditor of any event, occurrence or fact which may have an adverse effect on the value of the Charged Property or on the Grantor's financial situation;
- 8.5 to keep, with respect to the Charged Property, books, vouchers and other documentation, as would a reasonable and diligent administrator, including a list containing the names and addresses of all debtors of the hypothecated claims, and keep them available for the Creditor to examine and obtain copies thereof;
- 8.6 to enable the Creditor to examine, inspect and appraise, at the Grantor's expense, any Charged Property, and to grant to the Creditor access to all premises where such property may be located;
- 8.7 to perform all acts and execute all deeds and documents (including notices of renewal) necessary to give full effect to the Hypothec and to ensure that it is at all times fully enforceable against third persons;
- 8.18 if the Grantor is not a natural person, not to effect any substantial changes to its corporate structure or composition, nor to merge with any other person, without the prior written consent of the Creditor;
- 8.9 to give the Creditor, from time to time, upon demand, a list of its book debts shown in the reverse order of their due date;
- 8.10 to pay all costs and expenses related to this agreement and to the exercise of all rights resulting in favour of the Creditor from such agreement, as well as all costs and expenses incurred to set up the rights of the Creditor against third persons, and all discharge fees (such costs and expenses shall include all fees and expenses of consultants, mandataries or legal counsel retained for any appraisal required in connection with the sale of an enterprise or in case of default, as well as administrative fees and, in such case, a ten per cent (10%) collection charge in connection with the hypothecated claims); to reimburse the Creditor for all costs and expenses incurred by it for the purpose of carrying out the Grantor's obligations or of exercising its rights, all such costs and expenses bearing interest at an annual rate equal to the prime rate of the Creditor which shall be in force from time to time, plus three percent (3%); the Creditor's prime rate shall be the one advertised as its rate of reference for determining the interest rate on loans in Canadian dollars granted in Canada; the obligations arising from this paragraph shall not exceed twenty-five percent (25%) of the nominal value of the Hypothec;
- 8.11 not to lease, sell, assign or otherwise dispose of the Charged Property, in whole or in part;

- 8.12 to ensure that its right of ownership in any Charged Property held by any third party remain enforceable against third parties, and, accordingly, that such right has been published, if necessary.
- 8.13 to preserve and maintain at all times all machinery, equipment and vehicles hereby charged in good condition and state of repair, normal wear and tear excepted, and repair or replace such property at its own costs, upon damage or destruction thereof as soon as reasonably possible;
- 8.14 to protect, use and keep in good condition all Charged property, and carry on its business, so as to preserve the value thereof; at all time, to comply with laws and regulations applicable to the conduct of its enterprise and to the possession of the Charged property, including laws and regulations relating to the environment;
- 8.15 not to change the use or destination of the Charged property nor the location of such property unless it obtains the written consent of the Creditor;
- 8.16 to insure that its right of ownership in any Charged property held by any third party remain enforceable against third parties, and, accordingly, that such right has been published, if necessary;
- 8.17 if the Charged property is located in premises leased under a lease agreement entered into prior to January 1st, 1994 or if such property is subsequently moved into such leased premises, the Grantor shall, concurrently with the execution of this Agreement or immediately after the Charged property is moved into such leased premises, give written notice to its lessor of the Hypothec, and shall give the Creditor proof of such notice within three (3) days.

9. EVENTS OF DEFAULT

- 9.1 the Grantor shall be in default hereunder upon the occurrence, without notice or other formality of any of the following events:
 - a) the Grantor fails to perform any obligation secured hereunder at the time when such performance is due;
 - b) any of the representations or warranties made under Section 7 hereof is false in some material respect;
 - c) the Grantor fails to perform any covenant hereunder;
 - d) the Grantor is in default under any contract or agreement with the Creditor;
 - e) the Grantor destroys, deteriorates or substantially reduces the value of any Charged Property or securities. normal wear and tear excepted;
 - f) the Grantor ceases to carry on its enterprise or an important part thereof, becomes insolvent or becomes subject to any law relating to insolvency, bankruptcy, reorganization or to arrangements with creditors or any petition in bankruptcy is taken against the Grantor;

- g) any of the Charged Property is subject to any proceeding of seizure or enforcement, or to the exercise of a hypothecary right by a creditor, sequestrator or any person performing similar functions;
- h) the Grantor loses its legal existence; an order is issued or a resolution is adopted for its winding-up or liquidation.

9.2 Upon the occurrence of any event of default, the Creditor may, in connection with all or part of the obligations secured by the Hypothec, declare that the Grantor has lost the benefit of the term which may have benefited it. It may further cease to make advances, terminate the right of the Grantor to use the credit facilities, the repayment of which is secured by the Hypothec, or terminate the right of the Grantor to make certain forms of utilization of such credits; the Creditor may request immediate payment of all obligations and may exercise all its recourses against the Grantor to which it may be entitled in case of default under law or hereunder.

10. CREDITOR'S RECOURSES IN CASE OF DEFAULT

10.1 In case of default, whichever hypothecary rights the Creditor may decide to exercise, the following provisions shall apply:

10.1.1 in order to protect or to realize the value of the Charged Property, the Creditor shall be at liberty, at the Grantor's expense, to:

- a) alienate or dispose of any Charged Property which may be obsolete, may perish or is likely to depreciate rapidly;
- b) use for its benefit all information obtained while exercising its rights;
- c) perform any of the Grantor's obligations;
- d) exercise any right attached to the Charged Property;
- e) for the exercise any of its rights, use the premises in which the Grantor's property is located;

10.1.2 the Creditor shall exercise its rights in good faith so that the obligations secured by the Hypothec be reduced, in a reasonable manner, taking into account all circumstances;

10.1.3 the Creditor may, directly or indirectly, acquire the Charged Property;

10.1.4 the Creditor, when exercising its rights, may waive any right of the Grantor. with or without consideration therefor;

10.1.5 the Creditor shall not be bound to make an inventory, to take out insurance or to furnish any other security;

10.1.6 the Creditor shall not be bound to continue to carry on the Grantor's enterprise or to make the Charged Property productive. or to maintain such property in operating condition.

10.2 If the Creditor elects to exercise its rights to take in payment and the Grantor requires that the Creditor instead sell the Charged Property on which such right is exercised, the Grantor hereby acknowledges that the Creditor shall

not be bound to abandon its recourse of taking in payment unless, prior to the expiry of the time period allotted for surrender, the Creditor *i)* has been granted a security which it considers satisfactory guaranteeing that said Charged Property will be sold at a sufficiently high price to enable its claim to be paid in full; *ii)* has been reimbursed of all costs and expenses incurred therefor, including all fees of consultants and legal counsel; *iii)* has been advanced the necessary sums for the sale of said Charged Property; the Grantor further acknowledges that the Creditor shall have the right to choose the type of sale it may carry out.

- 10.3 The Grantor will be deemed to have surrendered the Charged Property held by the Creditor or on its behalf if the Creditor has not, within the delays permitted by law or by a tribunal to surrender, received written notice from the Grantor to the effect that it is opposed to the exercise of the hypothecary recourse set forth in the prior notice.
- 10.4 Where the Creditor sells the Charged Property itself, it shall not be required to obtain any prior assessment by a third party.
- 10.5 The Creditor may choose to sell the Charged Property with legal warranty given by the Grantor or with complete or partial exclusion of such warranty.

11. GENERAL PROVISIONS

- 11.1 The Hypothec is hereby created in addition to and not in substitution or replacement for any other hypothec or security held by the Creditor; it does not affect the Creditor's right of set-off.
- 11.2 The Creditor shall be at liberty to invest any monies or instruments received or held by it in pursuance of this agreement or deposit them in a non-interest bearing account without having to comply with any legal provisions concerning the investment of property of others;
- 11.3 The Creditor shall be at liberty to impute any amounts collected in the exercise of its rights or received by it prior to or after any event of default as it may choose, without having to comply with legal provisions concerning the imputation of payment;
- 11.4 The Hypothec shall be a continuing security which shall remain in full force and effect despite the repayment from time to time of the whole or of any part of the obligations secured hereunder; it shall remain in full force until the execution of a final release by the Creditor.
- 11.5 The mere lapse of time provided for the Grantor to perform its obligations or the arrival of the term shall automatically create a default without any obligation for the Creditor to serve any notice or prior notice to the Grantor.
- 11.6 The exercise by the Creditor of any of its rights shall not preclude it from exercising any other right under this agreement or the law; the rights of the Creditor shall be cumulative and not alternative. The non-exercise by the Creditor of one of its rights shall not constitute a waiver of any subsequent exercise of such right. The Creditor shall be at liberty to exercise its rights under this agreement without any obligation to exercise any right against any other person liable for payment of the obligations secured hereunder and without having to realize any other security which secures such obligations.

- 11.7 The Creditor is hereby designated as the irrevocable mandatary of the Grantor with full powers of substitution for the purpose of paragraph 11.8 or for the purpose of carrying out any and all acts and execute any and all deeds, proxies or other documents which it may deem useful in order to exercise its rights or which the Grantor neglects or refuses to execute or to carry out.
- 11.8 The Creditor shall be at liberty to perform any of the Grantor's liabilities under this agreement. It may then immediately request payment of any expense incurred in doing so, including interest at the rate provided for in paragraph 8.10 above.
- 11.9 The Creditor shall be at liberty to appoint any person or persons for the purpose of the exercising of its rights, actions or the performance of any covenant resulting from this agreement or law; in such case, the Creditor shall supply such person with any information relating to the Grantor or the Charged Property.
- 11.10 The Creditor shall not be liable for material injuries or damages resulting from its fault, unless such fault is gross or intentional;
- 11.11 The rights hereby conferred upon the Creditor shall benefit all its successors, including any entity resulting from the merger of the Creditor with any other person or persons.
- 11.12 Any notice to the Grantor shall be delivered to its address mentioned hereunder or to any other address of which the Creditor has been given written notice; any notice to the Creditor shall be delivered to its branch office, the address of which is set out below, or to any other address of which the Grantor has been given written notice.
- 11.13 This agreement shall be governed by the laws of the Province of Quebec.

12. ENGLISH LANGUAGE

The parties hereto confirm that the present agreement has been drawn up In the English language at their request. Les parties aux présentes confirment que la présente convention a été rédigée en langue anglais à leur demande.


SIGNED on this 26th day of March, 1998.

GRANTOR:

INNOVADENT TECHNOLOGIES LTD.

Per: _____

Joel Strickland



Witness



Witness

Grantor's address:

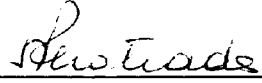
(for any notice or correspondence)

227 Eagle Street
Newmarket, Ontario
L3Y 1J8


BUSINESS DEVELOPMENT BANK OF CANADA



Witness S. FOSTER

Per: 

Nick Photiades, Assistant Vice-President,
Venture Capital Division



Witness JACQUES GREGOIRE

RESOLUTION
(Moveable hypothec)



INNOVADENT TECHNOLOGIES LTD.
(the "Corporation")

BE IT RESOLVED:

1. THAT the corporation be and it is hereby authorized to hypothecate in favour of BUSINESS DEVELOPMENT BANK OF CANADA the property mentioned in paragraph 3 of the draft deed of moveable hypothec submitted to the director of the corporation, which draft is hereby approved.
2. THAT the hypothec be granted for a sum of up to Two Hundred Fifty Thousand Dollars (\$250,000.00) and of an additional sum equivalent to twenty percent (20%) of the aforementioned amount, the whole with interest at the rate of fifteen percent (15%) per annum.
3. THAT the hypothec be granted as security for all obligations, direct or indirect of the Grantor named in said deed, present or future.
4. THAT JOEL STRICKLAND be and he is hereby authorized to execute for and in the name of the corporation a deed of moveable hypothec substantially in the form and tenor of the draft submitted to the directors with all modifications which he may deem necessary or useful, at its sole discretion.

I, the undersigned, hereby certify that the foregoing resolution has been duly adopted by the Board of Directors of the corporation and that it is, as of this date, in full force and effect.

SIGNED this 16th day of March, 1998



President

SCHEDULE "A"



A.1 Equipment and Road Vehicle (par.))

N/A

A.2 Other specific property (par.))

N/A

A.3 Other universalities (par.))

N/A

A.4 Securities (par.))

N/A

A.5 Existing Charges (par.))

A.6 Business or firm name (par.))

A.7 Claim, receivables (par.))

N/A

GENERAL SECURITY AGREEMENT



THIS GENERAL SECURITY AGREEMENT is made as of the 26th day of March, 1998, between **INNOVADENT TECHNOLOGIES LTD.** (herein called the "Debtor"), 227 Eagle Street, Newmarket, Ontario, L3Y 1J8, and with **BUSINESS DEVELOPMENT BANK OF CANADA**, Bureau 12525, Plaza Level, 5 Place Ville Marie, Montréal, Québec, H3B 5E7 (herein called the "Secured Party");

WHEREAS the Debtor desires to borrow up to \$250,000 from the Secured Party, Lawrence & Company Inc. and Le Fonds de Solidarité des Travailleurs du Québec (collectively, the "Lenders") pursuant to a Loan Agreement dated as of March 26, 1998, **in the individual Lenders' absolute discretion**:

AND WHEREAS the Secured Party has requested and the Debtor has further agreed to give a promissory note to evidence each advance of funds and the security herein:

NOW THEREFORE, the Debtor and the Secured Party make the following agreement:

1. GRANT OF SECURITY INTEREST

1.1 Security Interest

As a general and continuing security for the payment and performance of any and all indebtedness, obligations and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Debtor to the Secured Party or remaining unpaid by the Debtor to the Secured Party wheresoever and howsoever incurred and howsoever evidenced, whether arising from dealings between the Secured Party and the Debtor or from other dealings or proceedings by which the Debtor may be or become in any manner indebted, obligated or liable to the Secured Party and wherever incurred and in any currency and whether incurred by the Debtor alone or with another or others and whether as principal, guarantor or surety, including without limitation expenses under Sections 3.5 and 3.13 of this Security Agreement and all interest, commissions, cost of realization, legal and other costs, charges and expenses (all of the foregoing being herein collectively called the "Obligations"), the Debtor, for good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), hereby grants to the Secured Party a continuing security interest in the following property (the "Collateral"), wherever located:

(a) Accounts

All present and future debts, revenues, income, accounts, claims, demands, moneys and choses in action whatsoever including claims against the Crown and claims under insurance policies and commissions, which are now owned or possessed by or are due, owing or accruing due to the Debtor or which may hereafter be owned or possessed by or become due, owing or accruing due to the Debtor (all of the foregoing being herein collectively called the "accounts");

(b) Inventory

All inventory of whatever kind now or hereafter owned or possessed by the Debtor including all goods, merchandise, raw materials, work in process, finished goods and other tangible personal property now or hereafter held for sale, lease or resale or that are to be furnished or have been furnished under a contract of service or that are used or consumed in the business of the Debtor (all of the foregoing being herein collectively called the "inventory");

(c) Equipment

All goods now or hereafter owned or possessed by the Debtor which are not inventory or consumer goods as defined in the *Personal Property Security Act* (Ontario) as amended from time to time ("PPSA"), including the fixtures, equipment (such as molds, jigs and dyes), furniture, furnishings, machinery, vehicles and other tangible personal property, located at or used in connection with the Debtor's principal and other place(s) of business (all of the foregoing being herein collectively called the "equipment");

(d) Documents of Title

All present and future documents of title of the Debtor, whether negotiable or otherwise, including all warehouse receipts and bills of lading;

(e) Chattel Paper

All present and future agreements made between the Debtor as Secured Party and others which evidence both a monetary obligation and a security interest in or a lease of specific goods;

(f) Instruments

All present and future bills, notes and cheques (as such are defined pursuant to the *Bills of Exchange Act* (Canada), and all other writings that evidence a right to the payment of money and are of a type that in the ordinary course of business are transferred by delivery without any necessary endorsement or assignment;

(g) Money

All present and future money of the Debtor, whether authorized or adopted by the Parliament of Canada as part of its currency or any foreign government as part of its currency;

(h) Securities

All present and future securities held by the Debtor, including shares, options, rights, warrants, joint venture interests, interests in limited partnerships, bonds, debentures and all other documents which constitute evidence of a share, participation or other interest of the Debtor in property or in an enterprise or which constitute evidence of an obligation of the

issuer; and including an uncertificated security within the meaning of Part VI (Investment Securities) of the *Business Corporations Act* (Ontario) and all substitutions therefor and dividends and income derived therefrom:

(i) Intangibles

All intangibles now or hereafter owned or possessed by the Debtor including all contractual rights, licences, undertaking, goodwill, patents, trade marks, copyrights, industrial designs and other industrial or intellectual property or rights therein;

(j) Documents

With respect to the personal property described above, all books, accounts, invoices, letters, papers, security certificates, documents and other records in any form evidencing or relating thereto and all contracts, securities, instruments and other rights and benefits in respect thereof;

(k) Replacements, etc.

With respect to the personal property described above, all increases, additions and accessions thereto, all substitutions and replacements thereof and any interest of the Debtor therein;

(l) Proceeds

With respect to the personal property described above, personal property in any form or fixtures derived directly or indirectly from any dealing with such property or that indemnifies or compensates for such property destroyed or damaged and proceeds of proceeds whether of the same type, class or kind as the original proceeds; and

(m) Leases

All leasehold property now or hereafter leased or possessed by the Debtor including the leasehold lands and premises being the Debtor's principal and other place(s) of business together with all buildings, erections and fixtures now or hereafter constructed or placed thereon.

With respect to any Collateral acquired by the Debtor from or with funds provided by the Secured Party and with respect to any proceeds of such Collateral, the security interest granted hereby is and shall constitute a purchase-money security interest.

1.2 Interpretation

In this Security Agreement:

- (a) terms used herein and defined in the PPSA shall have the same meanings as in the PPSA unless the context otherwise requires;

- (b) any reference to "Collateral" shall, unless the context otherwise requires, refer to "Collateral or any part hereof";
- (c) any reference to "Debtor" shall include the successors (whether or not created by amalgamation) and assigns of the Debtor;
- (d) the grant of the security interest herein provided for shall include, without limitation, a fixed mortgage, hypothecation, pledge, charge and assignment of the Collateral in favour of the Secured Party;
- (e) the term "security interest" shall include, without limitation, a fixed mortgage, hypothecation, pledge, charge, assignment and purchase-money security interest;
- (f) the term "purchase-money security interest" shall mean a purchase-money security interest granted by the Debtor under the PPSA to secure all or any part of the indebtedness incurred by the Debtor in connection with the acquisition of property (not in excess of the acquisition price of such property) or any extension or renewal or replacement of such indebtedness provided that the principal amount of such indebtedness is not increased; and
- (g) the term "encumbrance" shall include, without limitation, a security interest, lien, hypothec, claim, charge, deemed trust or encumbrance of any kind whatsoever.

1.3 Attachment

The Debtor and the Secured Party agree that they intend the security interest hereby granted to attach upon the execution of this Security Agreement and that they have not agreed to postpone the time for attachment of the security interest. The Debtor hereby acknowledges that value has been given.

1.4 Leases

The last day of the term of any lease, oral or written, or any agreement therefor, now held or possessed or hereafter acquired or possessed by the Debtor shall be excepted from the security interest hereby granted and shall not form part of the Collateral but the Debtor shall stand possessed of such one day remaining, upon trust to assign and dispose of the same as the Secured Party or any assignee of such lease or agreement shall direct. If any such lease or agreement therefor contains a provision which provides in effect that such lease or agreement may not be assigned, sub-leased, charged or encumbered without the leave, licence, consent or approval of the lessor, the application of the security interest created hereby to any such lease or agreement shall be conditional upon such leave, licence, consent or approval having been obtained. The Debtor shall use reasonable efforts to obtain such leave, licence, consent or approval as soon as possible and the security interest created hereby shall attach to such lease or agreement as soon as such leave, licence, consent or approval is obtained.

1.5 Subordination

The security interest constituted by this Security Agreement is, and at all times shall be, automatically and fully subordinated and postponed to any and all security interests and transfers.

assignments and charges by way of security which have been granted or which may hereafter be granted by the Debtor to and in favour of its present bankers. or any replacement bankers from time to time. in respect of financing provided by them. in whole or in part. in respect of the operation of the business of the Debtor.

The Secured Party will, at any time and from time to time. execute such agreements. documents and instruments as may in the opinion of the Debtor, acting reasonably. be necessary or advisable to confirm the subordination and postponement contemplated by this Section 1.5.

2. REPRESENTATIONS AND WARRANTIES

The Debtor represents and warrants to and in favour of the Secured Party as follows:

2.1 Incorporation

The Debtor is validly incorporated and organized and is a valid and subsisting corporation under the laws of its jurisdiction of incorporation and the Debtor has all necessary power and authority to own its property and assets and to carry on its business as at present carried on by it or as contemplated hereunder to be carried on by it and holds all necessary licences, permits and consents as are required so to own or possess its property and assets and so to carry on business in each jurisdiction in which it does so.

2.2 Corporate Power

The Debtor has the power, capacity, full legal right and the corporate authority to enter into this Security Agreement, to grant the security interest contained herein and to do all acts and things as are required or contemplated hereunder to be done, observed and performed by it.

2.3 Corporate Authorization

The Debtor has taken all necessary corporate action to authorize the creation, execution, delivery and performance of this Security Agreement.

2.4 Non-Conflict

The execution of this Security Agreement and the grant of the security interest hereunder does not require the approval of any regulatory agency having jurisdiction over the Debtor and is not in contravention of or in conflict with the articles, by-laws or resolutions of the directors or shareholders of the Debtor or of the provisions of any indenture, instrument, agreement or undertaking to which the Debtor is a party or by which all or any part of its property or assets may be bound nor of any statute, regulation, by-law, ordinance or other law, nor of any judgement, decree, ruling or order to which the Debtor or its property and assets may be subject. No such action will oblige the Debtor to grant any security interest to any person other than the Secured Party.

2.5 No Default

Save and except for certain payables and credit card balances, the Debtor is not in default in the performance or observance of any of the obligations, covenants, or conditions contained in any material contract, agreement or other instrument to which it is a party or by which it is bound.

2.6 Title

Save and except for rights which may exist to creditors under the law of the State of Texas or the State of Arizona in the United States of America, the Debtor has good and marketable title to the Collateral free and clear of all other encumbrances whatsoever.

2.7 Enforceability

This Security Agreement constitutes a valid and legally binding obligation of the Debtor enforceable against the Debtor in accordance with its terms.

2.8 Financial Information

The financial statements and information supplied by the Debtor to the Secured Party prior to the date hereof did not, in each case, at the time of delivery, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make any statement therein not misleading in light of the circumstances in which it was made. There is no fact which the Debtor has not disclosed in writing to the Secured Party which materially adversely affects or, so far as the Debtor can reasonably foresee, will materially adversely affect the business, properties, prospects or financial condition of the Debtor or the ability of the Debtor to perform its obligations to the Secured Party hereunder.

2.9 Locations of Collateral

The Debtor's principal and other place(s) of business and the location(s) where it keeps the Collateral (except where the Collateral is in transit to and from such premises or except when it is on lease or consignment to any lessee or consignee from the Debtor), including its records relating thereto, is namely, 227 Eagle Street, Newmarket, Ontario, L3Y 1J8, and such other offices in the same or other jurisdictions as the Debtor may from time to time advise the Secured Party.

2.10 Survival

All representations and warranties of the Debtor made herein or in any certificate or other document delivered by or on behalf of the Debtor to the Secured Party are material, shall be deemed to have been relied upon by the Secured Party notwithstanding any investigation heretofore or hereafter made by or on behalf of the Secured Party, shall survive the execution and delivery of this Security Agreement and shall continue in full force and effect until the indebtedness hereunder is retired.

3. COVENANTS OF DEBTOR

The Debtor covenants and agrees with the Secured Party as follows:

3.1 Repair

The Debtor shall carry on and conduct its business in a proper and efficient manner so as to preserve and protect the Collateral and the earnings, incomes, rents, issues and profits thereof and shall diligently repair, maintain, use and operate the Collateral.

3.2 Books of Account

The Debtor shall keep proper books of account in accordance with sound accounting practice and the Debtor shall furnish to the Secured Party such financial information and statements relating to its business and the Collateral as the Secured Party may from time to time require and the Debtor shall permit the Secured Party or their authorized agent at any time at the expense of the Debtor to have access to premises occupied by the Debtor or any place where the Collateral may be found in order to inspect the Collateral and to examine the books of account and other financial records and reports of the Debtor including but not limited to books of account and other financial records and reports relating to the Collateral and to have temporary custody thereof and to make copies thereof and take extracts therefrom and shall at the request of the Secured Party mark the Collateral to indicate clearly the security interest of the Secured Party.

3.3 Make Payments

The Debtor shall pay all rents, taxes, rates, levies, assessments and government fees or dues lawfully levied, assessed or imposed in respect of the Collateral or any part thereof as and when the same shall become due and payable and shall exhibit to the Secured Party, when required, the receipts and vouchers evidencing such payments.

3.4 Encumbrances

Except for any encumbrances in favour of the Secured Party and the current banker of the Debtor or any replacement banker as permitted under Section 1.5 hereof (if applicable), and any purchase-money security interest in Collateral hereafter acquired by the Debtor granted to a Secured Party who have complied with the PPSA with respect thereto, the Debtor shall keep the Collateral free at all times from any and all encumbrances of whatsoever nature, kind or priority and shall defend the title to the Collateral against all persons and shall not permit the Collateral to become an accession to any property not subject to the security interest granted by this Security Agreement nor to become a fixture unless the security interest of the Secured Party ranks prior to the interests of all persons in the realty. The Secured Party may at any time contest the validity and enforceability against them of any encumbrance including, without limitation, any purchase-money security interest.

3.5 Insurance

The Debtor shall cause all of the Collateral which is of a character usually insured by businesses owning, possessing or operating collateral of a similar nature to be properly insured and kept

insured with reputable insurers acceptable to the Secured Party against loss or damage by fire or other risks and hazards usually insured against by businesses owning, possessing or operating collateral of a similar nature in such amounts, containing such terms, in such form and for such purposes as may be satisfactory to the Secured Party. Loss under such insurance shall be payable to the Secured Party as their interest may appear and such insurance shall contain a mortgage clause acceptable to the Secured Party. The Debtor shall, at the Secured Party's request, provide satisfactory evidence that such insurance has been effected and that loss thereunder is payable to the Secured Party as their interest may appear and any other information relating to such insurance as the Secured Party may require. If the Debtor fails to maintain satisfactory insurance, the Secured Party may, at their option, obtain such insurance as the Secured Party deems appropriate and do so at the expense of the Debtor and the Debtor shall forthwith repay all costs and expenses incurred by the Secured Party in connection therewith and all such costs and expenses shall become part of the Obligations, shall bear interest at the highest rate per annum charged by the Secured Party on the Obligations or any part thereof and shall be secured by this Security Agreement.

3.6 Compliance with Governmental Requirements

The Debtor shall duly observe and comply with all requirements of any governmental authority applicable to the Collateral or its use and operating and shall observe and comply with all covenants, terms and conditions upon or under which the Collateral is held.

3.7 Further Assurances

The Debtor shall at all times and from time to time do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all such further acts, deeds, transfers, assignments, security agreements and assurances as the Secured Party may reasonably require in order to give effect to the provisions hereof and for the better granting, transferring, assigning, charging, setting over, assuring, confirming and/or perfecting the security interest of the Secured Party in the Collateral pursuant to this Security Agreement and the priority accorded to such security interest by law or under this Security Agreement.

For greater certainty, the Debtor will sign the Notice of Security Interest attached hereto as Schedule "A" for filing with the Canadian Patent Office to provide notice of the security interest of the Secured Party and sign any other document required to register notice with the appropriate authorities of the countries where the Debtor holds a patent or has filed a patent application.

3.8 Permitted Disposals

The Debtor shall not, except in the ordinary course of business or as otherwise permitted hereunder, remove, destroy, lease, sell or otherwise dispose of any of the Collateral; provided that the Debtor may sell or otherwise dispose of equipment which has become worn out or damaged or otherwise unsuitable for its purpose on condition that it shall substitute therefor, subject to the security interest created hereby and free from other security interest, property of equal value so that the security hereby constituted shall not thereby be in any way reduced or impaired.

3.9 No Amalgamation

The Debtor shall not, without the prior written consent of the Secured Party, directly or indirectly change the nature of its business or amalgamate or otherwise merge with any person or permit all or a substantial portion of its property or assets to become the property of any other person, whether in one transaction or a series of transactions, and shall not do any act or thing that would materially adversely affect its business, financial condition, assets or position or its ability to carry on its business as now conducted by it and shall not permit any of its subsidiaries to do any of the foregoing.

3.10 No Distributions

The Debtor shall not, without the prior written consent of the Secured Party, pay, declare or set aside for payment any dividends or other distributions on account of shares of any class of stock of the Debtor nor make any other distribution in cash or in specie on account of shares or capital, whether by reduction, redemption or cancellation of capital or otherwise.

3.11 Notice re Change of Address, etc.

The Debtor shall notify the Secured Party in writing:

- (a) at least 20 days prior to any change of name of the Debtor;
- (b) at least 20 days prior to any transfer of the Debtor's interest in any part of the Collateral not expressly permitted hereunder;
- (c) promptly of any significant loss of or damage to any part of the Collateral; and
- (d) at least 20 days prior to any change in the location(s) of the Collateral and any records relating thereto.

3.12 Information

The Debtor shall furnish to the Secured Party such information with respect to the Collateral and the Debtor and its business as the Secured Party may from time to time require and shall give written notice to the Secured Party of all proceedings before any court, administrative board or other tribunal, which could materially affect the Debtor or the Collateral.

3.13 Protective Disbursements - Legal Fees

If the Debtor fails to pay any amounts required to be paid by it under this Security Agreement or to observe or perform any of the covenants and obligations set forth in this Security Agreement to be observed or performed by it, the Secured Party may, but shall be under no obligation to, pay such amounts or observe and perform any of such covenants and obligations in any manner deemed proper by the Secured Party in each case without waiving any of its rights under this Security Agreement. No such payment or performance by the Secured Party shall relieve the Debtor from any default under this Security Agreement or from the consequences of such default. The reasonable expenses (including the cost of any insurance and payment of taxes or other charges and

legal fees and expenses on a solicitor and his own client scale) paid by the Secured Party in respect of the custody, preservation, use or operation of the Collateral, shall be deemed advanced to the Debtor by the Secured Party, shall become part of the Obligations, shall bear interest at the highest rate per annum charged by the Secured Party on the Obligations or any part thereof, and shall be secured by this Security Agreement. In addition, the Debtor shall pay all reasonable expenses (including legal fees and expenses on a solicitor and his own client scale) incurred by the Secured Party in connection with the preparation, perfection, execution, protection, enforcement of and advice with respect to this Security Agreement (including, without limitation, the realization, disposing of, retaining, protecting or collecting the Collateral or any part thereof and the protection and enforcement of the rights of the Secured Party hereunder) and such expenses shall become part of the Obligations, shall bear interest at such highest rate per annum charged by the Secured Party on the Obligations or any part thereof and shall be secured by this Security Agreement.

4. DEALING WITH COLLATERAL BY THE DEBTOR

4.1 Sale of Inventory

Prior to the occurrence of a Default, the Debtor may in the ordinary course of its business and on customary trade terms, lease or sell items of inventory, so that the purchaser thereof takes title clear of the security interest hereby created, but if such sale or lease results in an account receivable, such account receivable shall be subject to the security interest hereby created.

4.2 Account Debtor

The Secured Party may require an account debtor to make payment to the Secured Party and the Secured Party may hold all amounts acquired from any account debtors and any proceeds as part of the Collateral and as security for the Obligations.

5. DEFAULT

5.1 Defaults

The Obligations secured by this Security Agreement shall become immediately due and payable in full and the security hereby constituted shall become enforceable upon the happening of any of the following events (herein called a "Default"):

- (a) if the Debtor shall fail to make any payment of any of the Obligations when due;
- (b) if the Debtor commits a breach of or fails to observe or perform any of the covenants, terms or conditions contained in this Security Agreement or in any other agreement or instrument from time to time in effect between the Debtor and the Secured Party whether or not relating to the Obligations, or if any representation or warranty of the Debtor contained herein or in any other agreement or instrument from time to time in effect between the Debtor and the Secured Party whether or not relating to the Obligations shall prove to be false or incorrect in any material respect;

- (c) if any guarantor (herein called a "Guarantor") of the Obligations commits a breach of or fails to observe or perform any covenant or obligation in favour of the Secured Party;
- (d) if the Debtor or any Guarantor ceases or threatens to cease to carry on its business;
- (e) if the Debtor or any Guarantor fails to discharge forthwith any judgement for the payment of money rendered against it; provided that in the event such judgement is disputed, no payment in respect thereof shall be required unless all of the appeal rights of the Debtor have been exhausted;
- (f) if any proceedings, voluntary or involuntary, by or against the Debtor or any Guarantor under any statute or statutory provisions relating to bankruptcy, insolvency, liquidation or dissolution are commenced;
- (g) if the Debtor or any Guarantor makes any proposal under the *Bankruptcy and Insolvency Act* (Canada), or if any proceedings with respect to the Debtor or any Guarantor or the property or assets of the Debtor or any Guarantor are commenced under the *Companies Creditors Arrangement Act* (Canada) or if the Debtor or any Guarantor or the property or assets of the Debtor or any Guarantor become subject to the *Winding Up Act* (Canada);
- (h) if any receiver, receiver and manager, trustee, custodian, liquidator, agent or similar official is appointed for the Debtor or any Guarantor or for any property or assets of the Debtor or any Guarantor;
- (i) if the Debtor or any Guarantor or any property or assets of either of them become subject to seizure pursuant to any execution, sequestration or any other process of any court or to distress or any analogous process; or
- (j) if the Debtor fails to pay taxes, rates or charges when due, if any lien or other encumbrance, inchoate or otherwise, upon the Collateral arises or could arise thereby.

5.2 Security Enforceable

The Debtor agrees that the provision for Defaults in Section 5.1, in addition to the Default set forth in Section 5.1(a), shall not affect the demand nature of any Obligation payable on demand and the Secured Party may demand payment of any such Obligation at any time without restriction, whether or not the Debtor has complied with the provisions of this Security Agreement or any other agreement or instrument between the Debtor and the Secured Party. The occurrence of a Default under Section 5.1 shall cause the security hereby constituted to become enforceable without the need for any action or notice on the part of the Secured Party.

5.3 Waiver

The Secured Party may waive in writing any breach by the Debtor of any of the terms or provisions of this Security Agreement or any Default under Section 5.1 hereof, provided always that no waiver shall be deemed to extend to a subsequent breach or Default, whether or not the same as or similar to the breach or Default previously waived and no act or omission by the Secured Party shall extend to or be taken in any manner whatsoever to affect any subsequent breach or Default or the rights of

the Secured Party arising therefrom. No delay in enforcing this Security Agreement arising from any default shall be considered to be a waiver by the Secured Party and any waiver of such a breach or Default must be in writing and signed by the Secured Party to be effective against and to bind the Secured Party.

6. REMEDIES ON DEFAULT

If the security hereby constituted becomes enforceable, the Secured Party shall have, in addition to any other rights, remedies and powers which it may have at law, in equity or under the PPSA, the following rights, remedies and powers:

6.1 Power of Entry

The Debtor shall forthwith upon demand assemble and deliver to the Secured Party possession of all of the Collateral at such place as may be specified by the Secured Party. The Secured Party may take such steps as they considers necessary or desirable to obtain possession of all or any part of the Collateral and to that end the Debtor agrees that the Secured Party, their officers, employees or agents or Receiver may at any time enter upon lands and premises where the Collateral may be found for the purpose of taking possession of and/or removing the Collateral or any part thereof. In the event of the Secured Party taking possession of the Collateral or any part thereof, the Secured Party shall have the right to maintain, process and/or complete the processing of the same upon the premises on which the Collateral may then be situate.

6.2 Power of Sale

The Secured Party may sell, lease or otherwise dispose of all or any part of the Collateral as a whole or in separate parcels by public auction or private tender or by private contract with or without notice and with or without advertising and without any other formality, all of which are hereby waived by the Debtor and such sale, lease or disposition shall be on such terms and conditions as to credit and otherwise and as to upset or reserve bid or price as to the Secured Party in their sole discretion may seem advantageous. If such sale, transfer or disposition is made on credit or part cash and part credit, the Secured Party need only credit against the Obligations the amount of the actual cash received at the time of the sale. Any payments made pursuant to any credit granted at the time of the sale shall be credited against the Obligations as they are received. The Secured Party may buy in or rescind or vary any contract for sale of all or any of the Collateral and may resell without being answerable for any loss occasioned thereby. Any such sale, lease or disposition may take place whether or not the Secured Party have taken possession of the Collateral.

6.3 Receiver-Manager

The Secured Party may, in addition to any other rights it may have, appoint by instrument in writing a receiver or receiver and manager (both of which are herein called a "Receiver") of all or any part of the Collateral or may institute proceedings in any court of competent jurisdiction for the appointment of such a Receiver. Any such Receiver is hereby given and shall have the same powers and rights as the Secured Party has under this Security Agreement, at law or in equity. In exercising any such powers, any such Receiver shall act as and for all purposes shall be deemed to

be the agent of the Debtor and the Secured Party shall not be responsible for any act or default of any such Receiver. The Secured Party may appoint one or more Receivers hereunder and may remove any such Receiver and appoint another or others in his or their stead from time to time. The Debtor agrees that any Receiver appointed by the Secured Party need not be appointed by, nor is his appointment required to be ratified by nor his actions in any way supervised by, a court.

6.4 Carrying on Business

The Secured Party may carry on, or concur in the carrying on of, all or any part of the business or undertaking of the Debtor and may to the exclusion of all others, including the Debtor, enter upon, occupy and use all or any of the premises, buildings and undertaking of or occupied or used by the Debtor and may use all or any of the accounts, assets, equipment and intangibles of the Debtor for such time as the Secured Party see fit, free of charge, to carry on the business of the Debtor. The Secured Party shall not be liable to the Debtor for any negligence in so doing or in respect of any rent, charges, depreciation or damages in connection with such actions.

6.5 Pay Encumbrances

Subject to the amount of indebtedness of the Debtor to all creditors, the Secured Party may pay any encumbrance that may exist or be threatened against the Collateral. In addition, the Secured Party may borrow money required for the maintenance, preservation or protection of the Collateral or for the carrying on of the business or undertaking of the Debtor and may grant further security interests in the Collateral in priority to the security interest created hereby as security for the money so borrowed. In every such case the amounts so paid or borrowed together with costs, charges and expenses incurred in connection therewith shall become part of the Obligations, shall bear interest at the highest rate per annum charged by the Secured Party on the Obligations or any part thereof and shall be secured by this Security Agreement.

6.6 Dealing with Collateral

The Secured Party may seize, collect, realize, dispose of, enforce, release to third parties or otherwise deal with the Collateral or any part thereof in such manner, upon such terms and conditions and at such time or times as may seem to it advisable and without notice to the Debtor (except as otherwise required by any applicable law), and may charge on their own behalf and pay to others, sums for costs and expenses incurred (including legal fees and expenses on a solicitor and his own client scale and Receivers' fees and accounting fees) in or in connection with seizing, collecting, realizing, disposing, enforcing or otherwise dealing with the Collateral and in connection with the protection and enforcement of the rights of the Secured Party hereunder (including, without limitation, in connection with advice with respect to any of the foregoing) and such sums shall become part of the Obligations, shall bear interest at the highest rate per annum charged by the Secured Party on the Obligations or any part thereof and shall be secured by this Security Agreement. The Secured Party may file such proofs of claim and other documents as may be necessary or advisable in order to prove their claim in any bankruptcy, proposal, winding-up or other proceeding relating to the Debtor.

6.7 Retention of Collateral

Upon notice to the Debtor and subject to the appeal provisions as provided in the PPSA, the Secured Party may elect to retain all or any part of the Collateral in satisfaction of the Obligations or any of them.

6.8 Limitation of Liability

The Secured Party shall not be liable or accountable for any failure to seize, collect, realize, dispose of, enforce or otherwise deal with the Collateral and shall not be bound to institute proceedings for any such purposes or for the purpose of preserving any rights of the Secured Party, the Debtor or any other person, firm or corporation in respect of the Collateral. The Secured Party shall not be liable or responsible for any loss or damage whatever which may accrue in consequence of any such failure whether resulting from the negligence of the Secured Party or any of their officers, servants, agents, solicitors, attorneys, Receivers or otherwise. The Secured Party shall not, nor shall their servants, agents or Receivers, be liable by reason of any entry into possession of the Collateral or any part thereof to account as a mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or for any act or omission for which a mortgagee in possession might be liable.

6.9 Extensions of Time

The Secured Party may grant renewals, extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, perfect or fail to perfect any securities, release any part of the Collateral to third parties and otherwise deal or fail to deal with the Debtor, debtors of the Debtor, guarantors, sureties and others and with the Collateral and other securities as the Secured Party may see fit, all without prejudice to the liability of the Debtor to the Secured Party or the Secured Party's rights and powers under this Security Agreement.

6.10 Application of Payments against Obligations

Any and all payments made in respect of the Obligations from time to time and moneys realized on the Collateral may be applied to such part or parts of the Obligations as the Secured Party may see fit, and the Secured Party shall at all times and from time to time have the right to change any appropriation as the Secured Party may see fit. Any insurance moneys received by the Secured Party pursuant to this Security Agreement may, at the option of the Secured Party, be applied to rebuilding or repairing the Collateral or be applied against the Obligations or any of them in accordance with the provisions of this Section 6.10.

6.11 Set-Off

The Obligations will be paid by the Debtor without regard to any equities between the Debtor and the Secured Party or any right of set-off or crossclaim not otherwise expressly provided for in writing between the Debtor and the Secured Party. Except as expressly provided for, any indebtedness owing by the Secured Party to the Debtor may or may not, at the sole option of the Secured Party, be set off and applied by the Secured Party against the Obligations at any time or from time to time either before or after maturity, without demand upon or notice to anyone.

6.12 Deficiency

If the proceeds of the realization of the Collateral are insufficient to repay the Secured Party all moneys due to it, the Debtor shall forthwith pay or cause to be paid to the Secured Party such deficiency.

6.13 Validity of Sale

No person dealing with the Secured Party or their officers, employees, Receivers or agents shall be concerned to inquire whether the security hereby constituted has become enforceable or whether the powers which the Secured Party is purporting to exercise have become exercisable or whether any money remains due on the security of the Collateral or as to the necessity or expedience of the stipulations and conditions subject to which any sale, lease or disposition shall be made or otherwise as to the propriety or regularity of any sale or any other dealing by the Secured Party with the Collateral or to see to the application of any money paid to the Secured Party and in the absence of fraud on the part of such person, such dealings shall be deemed, so far as regards the safety and protection of such person, to be within the powers hereby conferred and to be valid and effective accordingly.

6.14 Effect of Appointment of Receiver

Upon the Debtor receiving notice from the Secured Party of the taking of possession of the Collateral or the appointment of a Receiver, all powers, functions, rights and privileges of each of the directors and officers of the Debtor with respect to the Collateral, to the extent allowed by law, shall cease unless specifically continued by the written consent of the Secured Party.

6.15 Time for Payment

The Debtor acknowledges that if the Secured Party demands payment of any Obligations which are payable on demand, it is reasonable for such Obligations to be paid immediately and the Debtor hereby irrevocably waives any time for payment which might otherwise be required to be afforded to it by applicable law.

6.16 Rights in Addition

The rights and powers conferred by this Article 6 are in supplement of and in addition to and not in substitution for any other rights or powers the Secured Party may have from time to time under this Security Agreement or under applicable law. The Secured Party may proceed by way of any action, suit, remedy or other proceeding or at law or in equity and no such remedy for the enforcement of the rights of the Secured Party shall be exclusive of or dependent on any other such remedy but any one or more of such remedies may from time to time be exercised separately or in combination.

7. GENERAL

7.1 Security in Addition

The security hereby constituted is not in substitution for any other security for the Obligations or for any other agreement between the parties creating a security interest in all or part of the Collateral whether heretofore or hereafter made and such security and such agreements shall be deemed to be continued and not affected hereby unless expressly provided to the contrary in writing and signed by the Secured Party and the Debtor. The taking of any action or proceedings or refraining from so doing, or any other dealing with any other security for the Obligations or any part thereof shall not release or affect the security interest created by this Security Agreement and the taking of the security interest hereby created or any proceedings hereunder for the realization of the security interest hereby created shall not release or affect any other security held by the Secured Party for the repayment of or performance of the Obligations.

7.2 No Merger

Neither the taking of any judgement nor the exercise of any power of seizure or sale shall operate to extinguish the liability of the Debtor to make payment of or satisfy the Obligations nor shall the acceptance of any payment or alternate security constitute or create any novation and it is further agreed that the taking of a judgement or judgements under any of the covenants herein contained shall not operate as a merger of such covenants.

7.3 Notices

Any notice required to be given to the Debtor or to the Secured Party may be delivered to such party or a responsible officer thereof or may be sent by prepaid registered mail addressed to the appropriate party at any address set out in this Security Agreement, or such further or other address as such party may notify to the other in writing from time to time, and if so given the notice shall be deemed to have been given on the day of delivery or three (3) days following the day when it is deposited in the post office, as the case may be.

7.4 Discharge

If the Debtor pays to the Secured Party the full amount of the Obligations secured by this Security Agreement and otherwise observes and performs all of the terms and conditions hereof and is not in default hereunder, then the Secured Party shall at the request and at the expense of the Debtor release and discharge the security interest created hereby and execute and deliver to the Debtor such deeds and other instruments as shall be requisite therefor. However, notwithstanding full payment, this Security Agreement shall not be discharged unless such release is requested and executed and until such event this Security Agreement shall stand as a security interest for new and additional Obligations of the Debtor to the Secured Party.

7.5 Governing Law

This Security Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

7.6 Security Interest Effective Immediately

Neither the execution nor registration of this Security Agreement shall bind the Secured Party to grant any credit to the Debtor, but the security interest created hereby shall take effect forthwith upon the execution of this Security Agreement by the Debtor.

7.7 No Collateral Warranties

There is no representation, warranty or collateral agreement affecting this Security Agreement or the Collateral, other than as expressed herein in writing.

7.8 Provisions Reasonable

The Debtor expressly acknowledges and agrees that the provisions of this Security Agreement and, in particular, those respecting remedies and powers of the Secured Party against the Debtor, its business and the Collateral upon default, are commercially reasonable and not manifestly unreasonable.

7.9 Number and Gender

In this Security Agreement, words importing the singular number include the plural and vice-versa and words importing gender include all genders.

7.10 Sections and Headings

The division of this Security Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof.

7.11 Receipt of Copy

The Debtor acknowledges receipt of an executed copy of this Security Agreement.

7.12 Use of Word "Including"

The word "including" and any variation thereof, when following any general term or statement, is not to be construed as limiting the general term or statement to the specific items or matters set forth immediately following such word or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement.

7.13 Severability

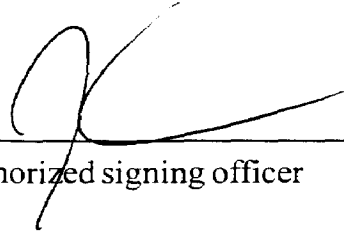
If any one or more of the provisions contained in this Security Agreement is invalid, illegal or unenforceable in any respect in any jurisdiction, the validity, legality and enforceability of such provision shall not in any way be affected or impaired thereby in any other jurisdiction and the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

7.14 Binding Effect

All rights of the Secured Party hereunder shall enure to the benefit of its successors and assigns and all obligations of the Debtor hereunder shall bind the Debtor and its successors and permitted assigns.

IN WITNESS WHEREOF the Debtor has duly executed this Security Agreement under seal as of the day, month and year first above written.

INNOVADENT TECHNOLOGIES LTD.

Per:  _____ c/s
authorized signing officer