

**PATENT COLLATERAL ASSIGNMENT
AND SECURITY AGREEMENT**

THIS AGREEMENT ("Agreement"), dated JAN 21st 2000, is by and between JAMES HALFORD ("Debtor"), with address at P.O. Box 1420, Indian Head, Saskatchewan S0G 2K0, Canada, and ROYNAT INC., a Canadian corporation ("Secured Party"), having an office at Suite 802, 123 - 2nd Avenue South, Saskatoon, Saskatchewan, S7K 7E6, Canada.

WITNESSETH:

WHEREAS Debtor has adopted, used and is using, and is the owner of the entire right, title and interest in and to the patents and applications therefor described in Exhibit A hereto and made a part hereof; and

WHEREAS Secured Party and Vale Farms Ltd. (a corporation of which James Halford is the President) have entered into or are about to enter into financing arrangements pursuant to which Secured Party may make loans and advances and provide other financial accommodations to Vale Farms Ltd. as set forth in the Debenture dated of even date herewith, issued by Vale Farms Ltd. in favour of Secured Party and James Halford has executed a guarantee in favour of Secured Party guaranteeing the obligations of Vale Farms Ltd. under the Debenture (as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Guarantee") and other agreements, documents and instruments referred to therein or at any time executed and/or delivered in connection therewith or related thereto (all of the foregoing, together with the Guarantee, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, being collectively referred to herein as the "Financing Agreements"); and

WHEREAS, in order to induce Secured Party to make loans and advances and provide other financial accommodations to Vale Farms Ltd. pursuant thereto, Debtor has agreed to grant to Secured Party certain collateral security to the Guarantee as set forth herein;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Debtor hereby agrees as follows:

1. GRANT OF SECURITY INTEREST

As collateral security for the prompt performance, observance and indefeasible payment in full of all of the Obligations (as hereinafter defined), Debtor hereby grants to Secured Party a continuing security interest in and a general lien upon, and a conditional assignment of, the following (being collectively referred to herein as the "Collateral"): (a) all of Debtor's now existing or hereafter acquired rights, title and interests in and to all of Debtor's interest in any patents and all applications, registrations and recordings relating to the foregoing as may at any time be filed in the United States Patent and Trademark Office or in any similar office or agency of the United States,

any State thereof, any political subdivision thereof or in any other country, including, without limitation, those patents, applications, registrations and recordings described in Exhibit A hereto, together with all rights and privileges arising under applicable law with respect to Debtor's use of any patents and all reissues, divisions, continuations, extensions and renewals thereof (all of the foregoing being collectively referred to herein as the "Patents"); (b) all present and future inventions and improvements described and claimed therein; (c) all income, fees, royalties and other payments at any time due or payable with respect thereto, including, without limitation, payments under all licenses at any time entered into in connection therewith; (d) the right to sue for past, present and future infringements thereof; (e) all rights corresponding thereto throughout the world; and (f) any and all other proceeds of any of the foregoing, including, without limitation, all damages and payments or claims by Debtor against third parties for past or future infringement of the Patents.

2. OBLIGATIONS SECURED

The security interest, lien and other interests granted to Secured Party pursuant to this Agreement shall secure the prompt performance, observance and payment in full of any and all obligations, liabilities and indebtedness of every kind, nature and description owing by Debtor to Secured Party and/or its affiliates, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, arising under this Agreement, the Guarantee, the other Financing Agreements or in connection with the transactions contemplated by this Agreement, the Guarantee or the other Financing Agreements, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of the Guarantee, whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured, and however acquired by Secured Party (all of the foregoing being collectively referred to herein as the "Obligations").

3. REPRESENTATIONS, WARRANTIES AND COVENANTS

Debtor hereby represents, warrants and covenants with and to Secured Party the following (all of such representations, warranties and covenants being continuing so long as any of the Obligations are outstanding):

- a) Debtor shall pay and perform all of the Obligations according to their terms.
- b) All of the existing Collateral is valid and subsisting in full force and effect, and Debtor owns the sole, full and clear title thereto, and the right and power to grant the security interest and conditional assignment granted hereunder. Debtor shall, at Debtor's expense, perform all acts and execute all documents necessary to maintain the existence of the Collateral consisting of registered Patents as registered patents and to maintain all of the Collateral as valid and subsisting, including, without limitation, the filing of any renewal affidavits and applications. The Collateral is not subject to any liens, claims, mortgages, assignments, licenses, security interests or encumbrances of any nature whatsoever, except (i) the security interests granted hereunder and (ii) the licenses permitted under Section 3(e) below.

- c) Debtor shall not assign, sell, mortgage, lease, transfer, pledge, hypothecate, grant a security interest in or lien upon, encumber, grant an exclusive or non-exclusive license relating to the Collateral, or otherwise dispose of any of the Collateral, in each case without the prior written consent of Secured Party, except as otherwise permitted herein or in the Guarantee. Nothing in this Agreement shall be deemed a consent by Secured Party to any such action, except as such action is expressly permitted hereunder.
- d) Debtor shall, at Debtor's expense, promptly perform all acts and execute all documents requested at any time by Secured Party to evidence, perfect, maintain, record or enforce the security interest in and conditional assignment of the Collateral granted hereunder or to otherwise further the provisions of this Agreement. Where permitted by law, Debtor hereby authorizes Secured Party to execute and file one or more financing statements (or similar documents) with respect to the Collateral signed only by Secured Party or as otherwise determined by Secured Party. Debtor further authorize Secured Party to have this Agreement or any other similar security agreement filed with the Commissioner of Patents and Trademarks or any other appropriate federal, state or government office.
- e) Debtor shall, concurrently with the execution and delivery of this Agreement, execute and deliver to Secured Party three (3) originals of a Special Power of Attorney in the form of Exhibit C annexed hereto for the implementation of the assignment, sale or other disposition of the Collateral pursuant to Secured Party's exercise of the rights and remedies granted to Secured Party hereunder.
- f) Secured Party may, in its discretion, pay any amount or do any act which Debtor fails to pay or do as required hereunder or as requested by Secured Party to preserve, defend, protect, maintain, record or enforce the Obligations, the Collateral or the security interest and conditional assignment granted hereunder, including, but not limited to, all filing or recording fees, court costs, collection charges, and reasonable attorneys' fees and legal expenses. Debtor shall be liable to Secured Party for any such payment, which payment shall be deemed an advance by Secured Party to Debtor, shall be payable on demand together with interest at the rate then applicable to the indebtedness of Debtor to Secured Party set forth in the Guarantee and shall be part of the Obligations secured hereby.
- g) Debtors shall not file any application for the registration of a Patent with the United States Patent and Trademark Office or any similar office or agency in the United States, any State thereof, any political subdivision thereof or in any other country, unless Debtor has given Secured Party thirty (30) days' prior written notice of such action. If, after the date hereof, Debtors shall (i) obtain any patent, including any reissue, division, continuation, continuation-in-part or extension of any patent, file any patent application, including any application for reissue or extension of any patent, or any divisional, continuation or continuation-in-part application in the United States Patent and Trademark Office or in any similar office or agency in the United States, any State thereof, any political subdivision thereof or in any other country, or (ii) become the owner of any patent or new patentable inventions used in the United States, any State thereof, any political subdivision thereof or in any other country, the provisions of Section 1 hereof shall automatically apply thereto. Upon the request of Secured Party,

Debtor shall promptly execute and deliver to Secured Party any and all assignments, agreements, instruments, documents and such other papers as may be requested by Secured Party to evidence the security interest in and conditional assignment of such Patent in favour of Secured Party.

- h) Debtor has not abandoned any of the Patents and Debtor will not do any act, nor omit to do any act, whereby the Patents may become abandoned, invalidated, unenforceable, avoided or avoidable. Debtor shall notify Secured Party immediately if he knows or has reason to know of any reason why any application, registration or recording with respect to the Patents may become abandoned, cancelled, invalidated, avoided or avoidable.
- i) Debtor shall render any assistance, as Secured Party shall determine is necessary, to Secured Party in any proceeding before the United States Patent and Trademark Office, any federal or state court, or any similar office or agency in the United States, any State thereof, any political subdivision thereof or in any other country, to maintain such application and registration of the Patents as Debtor's exclusive property, and to protect Secured Party's interest therein, including, without limitation, filing of renewals, affidavits of use, affidavits of incontestability and opposition, interference and cancellation proceedings.
- j) To the best of Debtor's knowledge, Debtors have no notice of any material infringement or unauthorized use presently is being made of any of the Patents that would adversely affect in any material respect the fair market value of the Patents or the benefits of this Agreement granted to Secured Party, including, without limitation, the remedies of Secured Party hereunder. There has been no judgment holding any of the Patents invalid or unenforceable, in whole or in part, nor is the validity or enforceability of any of the Patents presently being questioned in any litigation or proceeding to which Debtor are parties. Debtor shall promptly notify Secured Party if Debtor learns of any use by any person of any other process or product which infringes upon any Patent. If requested by Secured Party, Debtor, at Debtor's expense, shall join with Secured Party in such action as Secured Party, in Secured Party's discretion, may deem advisable for the protection of Secured Party's interest in and to the Patents.
- k) Debtor assumes all responsibility and liability arising from the use of the Patents and Debtor hereby indemnifies and holds Secured Party harmless from and against any claim, suit, loss, damage or expense (including reasonable attorneys' fees and legal expenses) arising out of any alleged defect in any product manufactured, promoted or sold by Debtor in connection with any Patent or out of the manufacture, promotion, labelling, sale or advertisement of any such product by Debtor. The foregoing indemnity shall survive the payment of the Obligations, the termination of this Agreement and the termination or non-renewal of the Loan Agreement.
- l) Debtor shall promptly pay Secured Party for any and all expenditures made by Secured Party pursuant to the provisions of this Agreement or for the defense, protection or enforcement of the Obligations, the Collateral or the security interests and conditional assignment granted hereunder, including, but not limited to, all filing or recording fees, court costs, collection charges, travel expenses and reasonable attorneys' fees and legal expenses. Such expenditures shall be payable on demand, together with interest at the

rate then applicable to the indebtedness of Debtor to Secured Party set forth in the Loan Agreement and shall be part of the Obligations secured hereby.

4. EVENTS OF DEFAULT

All Obligations shall become immediately due and payable, without notice or demand, at the option of Secured Party, upon the occurrence of any default under the Guarantee (each an "Event of Default" hereunder).

5. RIGHTS AND REMEDIES

At any time an Event of Default exists or has occurred and is continuing, in addition to all other rights and remedies of Secured Party, whether provided under this Agreement, the Guarantee, the other Financing Agreements, applicable law or otherwise, Secured Party shall have the following rights and remedies which may be exercised without notice to, or consent by, Debtor except as such notice or consent is expressly provided for hereunder:

- a) Secured Party may, in its good faith determination, require that Debtor not make any use of the Patents for any purpose whatsoever. Secured Party may make use of any Patents for the sale of goods, completion of work-in-process or rendering of services or otherwise in connection with enforcing any other security interest granted to Secured Party by Debtor or for such other reason as Secured Party may determine.
- b) Secured Party may grant such license or licenses relating to the Collateral for such term or terms, on such conditions, and in such manner, as Secured Party shall in its discretion deem appropriate. Such license or licenses may be general, special or otherwise, and may be granted on an exclusive or non-exclusive basis throughout all or any part of the United States of America, its territories and possessions, and all foreign countries.
- c) Secured Party may assign, sell or otherwise dispose of the Collateral or any part thereof, either with or without special conditions or stipulations except that if notice to Debtor of intended disposition of Collateral is required by law, the giving of ten (10) days' prior written notice to Debtor of any proposed disposition shall be deemed reasonable notice thereof and Debtor waives any other notice with respect thereto. Secured Party shall have the power to buy the Collateral or any part thereof, and Secured Party shall also have the power to execute assurances and perform all other acts which Secured Party may, in its discretion, deem appropriate or proper to complete such assignment, sale or disposition. In any such event, Debtors shall be liable for any deficiency.
- d) In addition to the foregoing, in order to implement the assignment, sale or other disposition of any of the Collateral pursuant to the terms hereof, Secured Party may at any time execute and deliver on behalf of Debtor, pursuant to the authority granted in the Powers of Attorney described in Section 3(e) hereof, one or more instruments of assignment of the Patents (or any application, registration or recording relating thereto), in form suitable for filing, recording or registration. Debtor agrees to pay Secured Party on demand all costs incurred in any such transfer of the Collateral, including, but not limited to, any taxes, fees and reasonable attorneys' fees and legal expenses. Debtor

agrees that Secured Party has no obligation to preserve rights to the Patents against any other parties.

- e) Secured Party may first apply the proceeds actually received from any such license, assignment, sale or other disposition of Collateral to the costs and expenses thereof, including, without limitation, reasonable attorneys' fees and all legal, travel and other expenses which may be incurred by Secured Party. Thereafter, Secured Party may apply any remaining proceeds to such of the Obligations as Secured Party may in its discretion determine. Debtor shall remain liable to Secured Party for any of the Obligations remaining unpaid after the application of such proceeds, and Debtor shall pay Secured Party on demand any such unpaid amount, together with interest at the rate then applicable to the indebtedness of Debtor to Secured Party set forth in the Guarantee.
- f) Debtor shall supply to Secured Party or to Secured Party's designee, Debtor's knowledge and expertise relating to the manufacture and sale of the products and services to which the Patents relate and Debtor's customer lists and other records relating to the Patents and the distribution thereof.
- g) Nothing contained herein shall be construed as requiring Secured Party to take any such action at any time. All of Secured Party's rights and remedies, whether provided under this Agreement, the other Financing Agreements, applicable law or otherwise, shall be cumulative and none is exclusive. Such rights and remedies may be enforced alternatively, successively or concurrently.

6. **JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW**

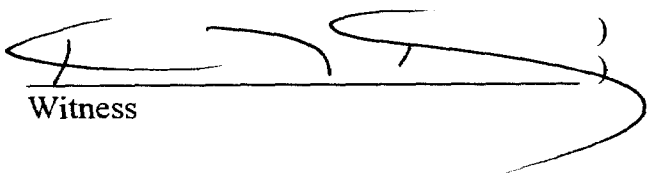
- a) The validity, interpretation and enforcement of this Agreement and the other Financing Agreements and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the laws of the Province of Saskatchewan (without giving effect to principles of conflicts of law).
- b) Secured Party shall not have any liability to Debtor (whether in tort, contract, equity or otherwise) for losses suffered by Debtor in connection with, arising out of or in any way related to the transactions or relationships contemplated by this Agreement, or any act, omission or event occurring in connection herewith, unless it is determined by a final and non-appealable judgment or court order binding on Secured Party that the losses were the result of acts or omissions constituting gross negligence or wilful misconduct. In any such litigation, Secured Party shall be entitled to the benefit of the rebuttable presumption that it acted in good faith and with the exercise of ordinary care in the performance by it of the terms of this Agreement and the other Financing Agreements.

7. **MISCELLANEOUS**

- a) All notices, requests and demands hereunder shall be given in accordance with the terms of the Loan Agreement.

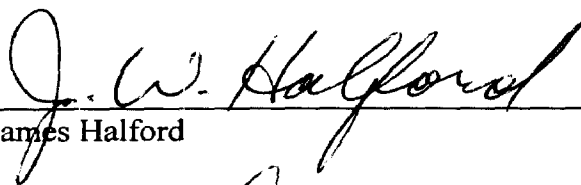
- b) All references to the plural herein shall also mean the singular and to the singular shall also mean the plural. All references to Debtor and Secured Party pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns. The words "hereof", "herein", "hereunder", "this Agreement" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. An Event of Default shall exist or continue or be continuing until such Event of Default is waived in accordance with Section 7(e) hereof.
- c) This Agreement, the other Financing Agreements and any other document referred to herein or therein shall be binding upon Debtor and his successors and assigns and inure to the benefit of and be enforceable by Secured Party and its successors and assigns.
- d) If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by applicable law.
- e) Neither this Agreement nor any provision hereof shall be amended, modified, waived or discharged orally or by course of conduct, but only by a written agreement signed by an authorized officer of Secured Party. Secured Party shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and signed by an authorized officer of Secured Party. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Secured Party of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which Secured Party would otherwise have on any future occasion, whether similar in kind or otherwise.

IN WITNESS WHEREOF Debtor and Secured Party have executed this Agreement as of the day and year first above written.



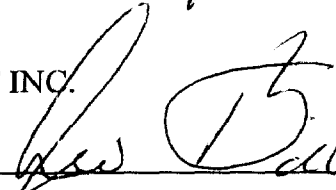
Witness

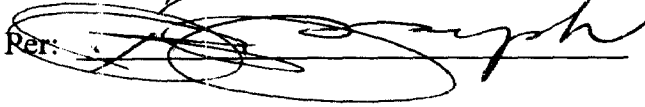
(Seal)



James Halford

ROYNAT INC.

Per: 

Per: 

CANADA)
PROVINCE OF SASKATCHEWAN)
TO WIT:)

I, KEN KARWANDY of Regina, in the Province of Saskatchewan,
Lawyer, make oath and say:

1. That I was personally present and did see James Halford named in the within instrument who is personally known to me to be the persons named therein, duly sign and execute the same for the purposes named therein.
2. That the said instrument was executed at Regina, in the Province of Saskatchewan, and that I am the subscribing witness thereto.
3. That I know the said James Halford and he is in my belief of the full age of eighteen years.

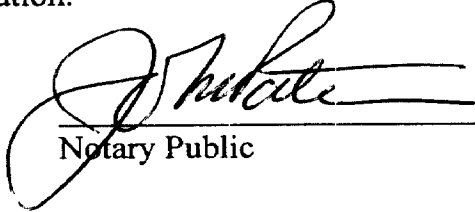
SWORN before me at Regina,)
in the Province of Saskatchewan,)
this 24 day of January, 2000.)

Brenda J Beatty)

A Notary Public in and for the Province
of Saskatchewan.
My appt. expires NOV 30, 2000

PROVINCE OF ^{Alberta JEP} SASKATCHEWAN)
) ss.:

On this 11 day of February, 2000, before me personally came Wes Baird and Jim Joseph, to me known, who being duly sworn, did depose and say, that they are the Vice President - Credit and Regional Vice President, respectively, of ROYNAT INC., the corporation described in and which executed the foregoing instrument; and that they signed their names thereto by order of the Board of Directors of said corporation.



Notary Public

**EXHIBIT A
TO
PATENT COLLATERAL ASSIGNMENT
AND SECURITY AGREEMENT**

LIST OF PATENTS AND PATENT APPLICATIONS

<u>Patent Description</u>	<u>Registration Number</u>	<u>Registration Date</u>	<u>Application/Serial Number</u>	<u>Application Date</u>
Seed/Fertilizer Minimum Tillage Planter	4762075	Aug. 9/88		

**EXHIBIT B
TO
PATENT COLLATERAL ASSIGNMENT
AND SECURITY AGREEMENT**

LICENSES

**EXHIBIT C
TO
PATENT COLLATERAL ASSIGNMENT
AND SECURITY AGREEMENT**

**SPECIAL POWER OF ATTORNEY
(PATENTS)**

PROVINCE OF SASKATCHEWAN)
) ss.:
)

KNOW ALL MEN BY THESE PRESENTS that JAMES HALFORD ("Debtor"), having an office at P.O. Box 1420, Indian Head, Saskatchewan S0K 2K0, Canada, hereby appoints and constitutes severally ROYNAT INC. ("Secured Party"), and each officer thereof, its true and lawful attorney, with full power of substitution and with full power and authority to perform the following acts on behalf of Debtor:

1. Execution and delivery of any and all agreements, documents, instrument of assignment or other papers which Secured Party, in its discretion, deems necessary or advisable for the purpose of assigning, selling or otherwise disposing of all right, title and interest of Debtor in and to any patents and all registrations, recordings, reissues, extensions and renewals thereof, or for the purpose of recording, registering and filing of, or accomplishing any other formality with respect to the foregoing.

2. Execution and delivery of any and all documents, statements, certificates or other papers which Secured Party, in its discretion, deems necessary or advisable to further the purposes described in subparagraph 1 hereof.

This Power of Attorney is made pursuant to a Patent Collateral Assignment and Security Agreement, dated of even date herewith, between Debtor and Secured Party (the "Security Agreement") and is subject to the terms and provisions thereof. This Power of Attorney being coupled with an interest, is irrevocable until all "Obligations", as such term is defined in the Security Agreement, are paid in full and the Security Agreement is terminated in writing by Secured Party.

Dated: _____, 2000

)
) _____
) James Halford
)
)

Witness

**PATENT COLLATERAL ASSIGNMENT
AND SECURITY AGREEMENT**

THIS AGREEMENT ("Agreement"), dated Jan 21, 2000, is by and between JAMES HALFORD ("Debtor"), with address at P.O. Box 1420, Indian Head, Saskatchewan S0G 2K0, Canada, and ROYNAT INC., a Canadian corporation ("Secured Party"), having an office at Suite 802, 123 - 2nd Avenue South, Saskatoon, Saskatchewan, S7K 7E6, Canada.

WITNESSETH:

WHEREAS Debtor has adopted, used and is using, and is the owner of the entire right, title and interest in and to the patents and applications therefor described in Exhibit A hereto and made a part hereof; and

WHEREAS Secured Party and Vale Farms Ltd. (a corporation of which James Halford is the President) have entered into or are about to enter into financing arrangements pursuant to which Secured Party may make loans and advances and provide other financial accommodations to Vale Farms Ltd. as set forth in the Debenture dated of even date herewith, issued by Vale Farms Ltd. in favour of Secured Party and James Halford has executed a guarantee in favour of Secured Party guaranteeing the obligations of Vale Farms Ltd. under the Debenture (as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Guarantee") and other agreements, documents and instruments referred to therein or at any time executed and/or delivered in connection therewith or related thereto (all of the foregoing, together with the Guarantee, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, being collectively referred to herein as the "Financing Agreements"); and

WHEREAS, in order to induce Secured Party to make loans and advances and provide other financial accommodations to Vale Farms Ltd. pursuant thereto, Debtor has agreed to grant to Secured Party certain collateral security to the Guarantee as set forth herein;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Debtor hereby agrees as follows:

1. GRANT OF SECURITY INTEREST

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any State thereof, any political subdivision thereof or in any other country, including, without limitation, those patents, applications, registrations and recordings described in Exhibit A hereto, together with all rights and privileges arising under applicable law with respect to Debtor's use of any patents and all reissues, divisions, continuations, extensions and renewals thereof (all of the foregoing being collectively referred to herein as the "Patents"); (b) all present and future inventions and improvements described and claimed therein; (c) all income, fees, royalties and other payments at any time due or payable with respect thereto, including, without limitation, payments under all licenses at any time entered into in connection therewith; (d) the right to sue for past, present and future infringements thereof; (e) all rights corresponding thereto throughout the world; and (f) any and all other proceeds of any of the foregoing, including, without limitation, all damages and payments or claims by Debtor against third parties for past or future infringement of the Patents.

2. OBLIGATIONS SECURED

The security interest, lien and other interests granted to Secured Party pursuant to this Agreement shall secure the prompt performance, observance and payment in full of any and all obligations, liabilities and indebtedness of every kind, nature and description owing by Debtor to Secured Party and/or its affiliates, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, arising under this Agreement, the Guarantee, the other Financing Agreements or in connection with the transactions contemplated by this Agreement, the Guarantee or the other Financing Agreements, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of the Guarantee, whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured, and however acquired by Secured Party (all of the foregoing being collectively referred to herein as the "Obligations").

3. REPRESENTATIONS, WARRANTIES AND COVENANTS

Debtor hereby represents, warrants and covenants with and to Secured Party the following (all of such representations, warranties and covenants being continuing so long as any of the Obligations are outstanding):

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- b) All of the existing Collateral is valid and subsisting in full force and effect, and Debtor owns the sole, full and clear title thereto, and the right and power to grant the security interest and conditional assignment granted hereunder. Debtor shall, at Debtor's expense, perform all acts and execute all documents necessary to maintain the existence of the Collateral consisting of registered Patents as registered patents and to maintain all of the Collateral as valid and subsisting, including, without limitation, the filing of any renewal affidavits and applications. The Collateral is not subject to any liens, claims, mortgages, assignments, licenses, security interests or encumbrances of any nature whatsoever, except (i) the security interests granted hereunder and (ii) the licenses permitted under Section 3(e) below.

- c) Debtor shall not assign, sell, mortgage, lease, transfer, pledge, hypothecate, grant a security interest in or lien upon, encumber, grant an exclusive or non-exclusive license relating to the Collateral, or otherwise dispose of any of the Collateral, in each case without the prior written consent of Secured Party, except as otherwise permitted herein or in the Guarantee. Nothing in this Agreement shall be deemed a consent by Secured Party to any such action, except as such action is expressly permitted hereunder.
- d) Debtor shall, at Debtor's expense, promptly perform all acts and execute all documents requested at any time by Secured Party to evidence, perfect, maintain, record or enforce the security interest in and conditional assignment of the Collateral granted hereunder or to otherwise further the provisions of this Agreement. Where permitted by law, Debtor hereby authorizes Secured Party to execute and file one or more financing statements (or similar documents) with respect to the Collateral signed only by Secured Party or as otherwise determined by Secured Party. Debtor further authorize Secured Party to have this Agreement or any other similar security agreement filed with the Commissioner of Patents and Trademarks or any other appropriate federal, state or government office.
- e) Debtor shall, concurrently with the execution and delivery of this Agreement, execute and deliver to Secured Party three (3) originals of a Special Power of Attorney in the form of Exhibit C annexed hereto for the implementation of the assignment, sale or other disposition of the Collateral pursuant to Secured Party's exercise of the rights and remedies granted to Secured Party hereunder.
- f) Secured Party may, in its discretion, pay any amount or do any act which Debtor fails to pay or do as required hereunder or as requested by Secured Party to preserve, defend, protect, maintain, record or enforce the Obligations, the Collateral or the security interest and conditional assignment granted hereunder, including, but not limited to, all filing or recording fees, court costs, collection charges, and reasonable attorneys' fees and legal expenses. Debtor shall be liable to Secured Party for any such payment, which payment shall be deemed an advance by Secured Party to Debtor, shall be payable on demand together with interest at the rate then applicable to the indebtedness of Debtor to Secured Party set forth in the Guarantee and shall be part of the Obligations secured hereby.
- g) Debtors shall not file any application for the registration of a Patent with the United States Patent and Trademark Office or any similar office or agency in the United States, any State thereof, any political subdivision thereof or in any other country, unless Debtor has given Secured Party thirty (30) days' prior written notice of such action. If, after the date hereof, Debtors shall (i) obtain any patent, including any reissue, division, continuation, continuation-in-part or extension of any patent, file any patent application, including any application for reissue or extension of any patent, or any divisional, continuation or continuation-in-part application in the United States Patent and Trademark Office or in any similar office or agency in the United States, any State thereof, any political subdivision thereof or in any other country, or (ii) become the owner of any patent or new patentable inventions used in the United States, any State thereof, any political subdivision thereof or in any other country, the provisions of Section 1 hereof shall automatically apply thereto. Upon the request of Secured Party,

Debtor shall promptly execute and deliver to Secured Party any and all assignments, agreements, instruments, documents and such other papers as may be requested by Secured Party to evidence the security interest in and conditional assignment of such Patent in favour of Secured Party.

- h) Debtor has not abandoned any of the Patents and Debtor will not do any act, nor omit to do any act, whereby the Patents may become abandoned, invalidated, unenforceable, avoided or avoidable. Debtor shall notify Secured Party immediately if he knows or has reason to know of any reason why any application, registration or recording with respect to the Patents may become abandoned, cancelled, invalidated, avoided or avoidable.
- i) Debtor shall render any assistance, as Secured Party shall determine is necessary, to Secured Party in any proceeding before the United States Patent and Trademark Office, any federal or state court, or any similar office or agency in the United States, any State thereof, any political subdivision thereof or in any other country, to maintain such application and registration of the Patents as Debtor's exclusive property, and to protect Secured Party's interest therein, including, without limitation, filing of renewals, affidavits of use, affidavits of incontestability and opposition, interference and cancellation proceedings.
- j) To the best of Debtor's knowledge, Debtors have no notice of any material infringement or unauthorized use presently is being made of any of the Patents that would adversely affect in any material respect the fair market value of the Patents or the benefits of this Agreement granted to Secured Party, including, without limitation, the remedies of Secured Party hereunder. There has been no judgment holding any of the Patents invalid or unenforceable, in whole or in part, nor is the validity or enforceability of any of the Patents presently being questioned in any litigation or proceeding to which Debtor are parties. Debtor shall promptly notify Secured Party if Debtor learns of any use by any person of any other process or product which infringes upon any Patent. If requested by Secured Party, Debtor, at Debtor's expense, shall join with Secured Party in such action as Secured Party, in Secured Party's discretion, may deem advisable for the protection of Secured Party's interest in and to the Patents.
- k) Debtor assumes all responsibility and liability arising from the use of the Patents and Debtor hereby indemnifies and holds Secured Party harmless from and against any claim, suit, loss, damage or expense (including reasonable attorneys' fees and legal expenses) arising out of any alleged defect in any product manufactured, promoted or sold by Debtor in connection with any Patent or out of the manufacture, promotion, labelling, sale or advertisement of any such product by Debtor. The foregoing indemnity shall survive the payment of the Obligations, the termination of this Agreement and the termination or non-renewal of the Loan Agreement.
- l) Debtor shall promptly pay Secured Party for any and all expenditures made by Secured Party pursuant to the provisions of this Agreement or for the defense, protection or enforcement of the Obligations, the Collateral or the security interests and conditional assignment granted hereunder, including, but not limited to, all filing or recording fees, court costs, collection charges, travel expenses and reasonable attorneys' fees and legal expenses. Such expenditures shall be payable on demand, together with interest at the

rate then applicable to the indebtedness of Debtor to Secured Party set forth in the Loan Agreement and shall be part of the Obligations secured hereby.

4. EVENTS OF DEFAULT

All Obligations shall become immediately due and payable, without notice or demand, at the option of Secured Party, upon the occurrence of any default under the Guarantee (each an "Event of Default" hereunder).

5. RIGHTS AND REMEDIES

At any time an Event of Default exists or has occurred and is continuing, in addition to all other rights and remedies of Secured Party, whether provided under this Agreement, the Guarantee, the other Financing Agreements, applicable law or otherwise, Secured Party shall have the following rights and remedies which may be exercised without notice to, or consent by, Debtor except as such notice or consent is expressly provided for hereunder:

- a) Secured Party may, in its good faith determination, require that Debtor not make any use of the Patents for any purpose whatsoever. Secured Party may make use of any Patents for the sale of goods, completion of work-in-process or rendering of services or otherwise in connection with enforcing any other security interest granted to Secured Party by Debtor or for such other reason as Secured Party may determine.
- b) Secured Party may grant such license or licenses relating to the Collateral for such term or terms, on such conditions, and in such manner, as Secured Party shall in its discretion deem appropriate. Such license or licenses may be general, special or otherwise, and may be granted on an exclusive or non-exclusive basis throughout all or any part of the United States of America, its territories and possessions, and all foreign countries.
- c) Secured Party may assign, sell or otherwise dispose of the Collateral or any part thereof, either with or without special conditions or stipulations except that if notice to Debtor of intended disposition of Collateral is required by law, the giving of ten (10) days' prior written notice to Debtor of any proposed disposition shall be deemed reasonable notice thereof and Debtor waives any other notice with respect thereto. Secured Party shall have the power to buy the Collateral or any part thereof, and Secured Party shall also have the power to execute assurances and perform all other acts which Secured Party may, in its discretion, deem appropriate or proper to complete such assignment, sale or disposition. In any such event, Debtors shall be liable for any deficiency.
- d) In addition to the foregoing, in order to implement the assignment, sale or other disposition of any of the Collateral pursuant to the terms hereof, Secured Party may at any time execute and deliver on behalf of Debtor, pursuant to the authority granted in the Powers of Attorney described in Section 3(e) hereof, one or more instruments of assignment of the Patents (or any application, registration or recording relating thereto), in form suitable for filing, recording or registration. Debtor agrees to pay Secured Party on demand all costs incurred in any such transfer of the Collateral, including, but not limited to, any taxes, fees and reasonable attorneys' fees and legal expenses. Debtor

agrees that Secured Party has no obligation to preserve rights to the Patents against any other parties.

- e) Secured Party may first apply the proceeds actually received from any such license, assignment, sale or other disposition of Collateral to the costs and expenses thereof, including, without limitation, reasonable attorneys' fees and all legal, travel and other expenses which may be incurred by Secured Party. Thereafter, Secured Party may apply any remaining proceeds to such of the Obligations as Secured Party may in its discretion determine. Debtor shall remain liable to Secured Party for any of the Obligations remaining unpaid after the application of such proceeds, and Debtor shall pay Secured Party on demand any such unpaid amount, together with interest at the rate then applicable to the indebtedness of Debtor to Secured Party set forth in the Guarantee.
- f) Debtor shall supply to Secured Party or to Secured Party's designee, Debtor's knowledge and expertise relating to the manufacture and sale of the products and services to which the Patents relate and Debtor's customer lists and other records relating to the Patents and the distribution thereof.
- g) Nothing contained herein shall be construed as requiring Secured Party to take any such action at any time. All of Secured Party's rights and remedies, whether provided under this Agreement, the other Financing Agreements, applicable law or otherwise, shall be cumulative and none is exclusive. Such rights and remedies may be enforced alternatively, successively or concurrently.

6. **JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW**

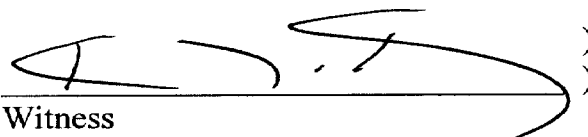
- a) The validity, interpretation and enforcement of this Agreement and the other Financing Agreements and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the laws of the Province of Saskatchewan (without giving effect to principles of conflicts of law).
- b) Secured Party shall not have any liability to Debtor (whether in tort, contract, equity or otherwise) for losses suffered by Debtor in connection with, arising out of or in any way related to the transactions or relationships contemplated by this Agreement, or any act, omission or event occurring in connection herewith, unless it is determined by a final and non-appealable judgment or court order binding on Secured Party that the losses were the result of acts or omissions constituting gross negligence or wilful misconduct. In any such litigation, Secured Party shall be entitled to the benefit of the rebuttable presumption that it acted in good faith and with the exercise of ordinary care in the performance by it of the terms of this Agreement and the other Financing Agreements.

7. **MISCELLANEOUS**

- a) All notices, requests and demands hereunder shall be given in accordance with the terms of the Loan Agreement.

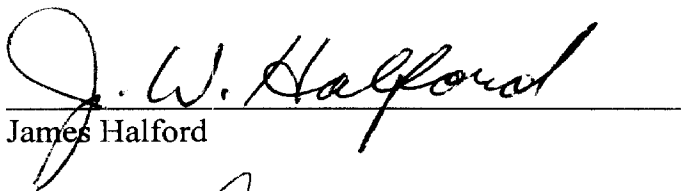
- b) All references to the plural herein shall also mean the singular and to the singular shall also mean the plural. All references to Debtor and Secured Party pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns. The words "hereof", "herein", "hereunder", "this Agreement" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. An Event of Default shall exist or continue or be continuing until such Event of Default is waived in accordance with Section 7(e) hereof.
- c) This Agreement, the other Financing Agreements and any other document referred to herein or therein shall be binding upon Debtor and his successors and assigns and inure to the benefit of and be enforceable by Secured Party and its successors and assigns.
- d) If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by applicable law.
- e) Neither this Agreement nor any provision hereof shall be amended, modified, waived or discharged orally or by course of conduct, but only by a written agreement signed by an authorized officer of Secured Party. Secured Party shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and signed by an authorized officer of Secured Party. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Secured Party of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which Secured Party would otherwise have on any future occasion, whether similar in kind or otherwise.

IN WITNESS WHEREOF Debtor and Secured Party have executed this Agreement as of the day and year first above written.

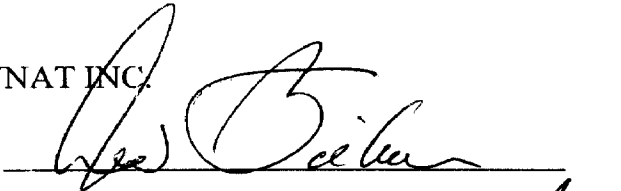



 Witness

(Seal)



 James Halford

ROYNAT INC.
 Per: 
 Per: 

CANADA)
PROVINCE OF SASKATCHEWAN)
TO WIT:)

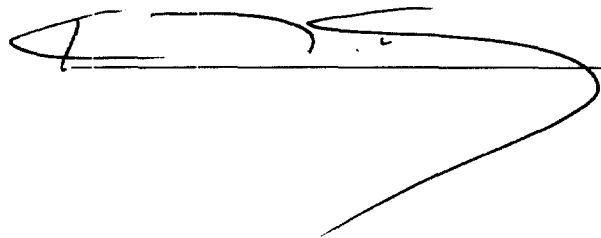
I, Ken Karwanoy, of Regina, in the Province of Saskatchewan,
LAWYER., make oath and say:

1. That I was personally present and did see James Halford named in the within instrument who is personally known to me to be the persons named therein, duly sign and execute the same for the purposes named therein.
2. That the said instrument was executed at Regina, in the Province of Saskatchewan, and that I am the subscribing witness thereto.
3. That I know the said James Halford and he is in my belief of the full age of eighteen years.

SWORN before me at Regina,)
in the Province of Saskatchewan,)
this 24 day of January, 2000.)

Srenda G Beattie)

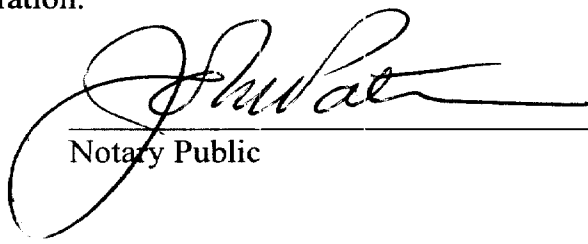
A Notary Public in and for the Province
of Saskatchewan.
My appt. expires Nov 30, 2000.



Alberta

PROVINCE OF ~~SASKATCHEWAN~~)
) ss.:

On this *21st* day of *February*, 2000, before me personally came *Georges Boiteau* and *Simon Joseph*, to me known, who being duly sworn, did depose and say, that they are the *Vice President - Credit* and *Regional Vice President* respectively, of ROYNAT INC., the corporation described in and which executed the foregoing instrument; and that they signed their names thereto by order of the Board of Directors of said corporation.



Notary Public

**EXHIBIT A
TO
PATENT COLLATERAL ASSIGNMENT
AND SECURITY AGREEMENT**

LIST OF PATENTS AND PATENT APPLICATIONS

<u>Patent Description</u>	<u>Registration Number</u>	<u>Registration Date</u>	<u>Application/Serial Number</u>	<u>Application Date</u>
Seed/Fertilizer Minimum Tillage Planter	4762075	Aug. 9/88		

**EXHIBIT B
TO
PATENT COLLATERAL ASSIGNMENT
AND SECURITY AGREEMENT**

LICENSES

